

Cincinnati Southern

RAILWAY.

REPORTS, EDITORIALS,

And Other Articles Relating Thereto.

What is the use of making a hair-splitting argument to show that under the law it is possible to sell the Southern Railroad? The question is do we want to sell? Before the railroad was built, more than 20 years ago, there was much discussion as to the constitutional right of Cincinnati to go into such an enterprise, and there was much dispute, too, as to the propriety of the work. That is all past. The railroad has been a good thing for Cincinnati. It has paid largely on the investment. It is still a good thing, because the city controls it. It is one of the most important arteries of our commerce. It was constructed to overcome discrimination against us in the Southern trade. It was built for Cincinnati and has served Cincinnati well. The only way to insure that it will continue as a Cincinnati institution is for the city to retain control.—Enquirer, March 2, '96.

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MAP OF
 Railroads Converging at
CINCINNATI
 AND
CHATTANOOGA,
 AND
 Location of the Cincinnati Southern Railway.

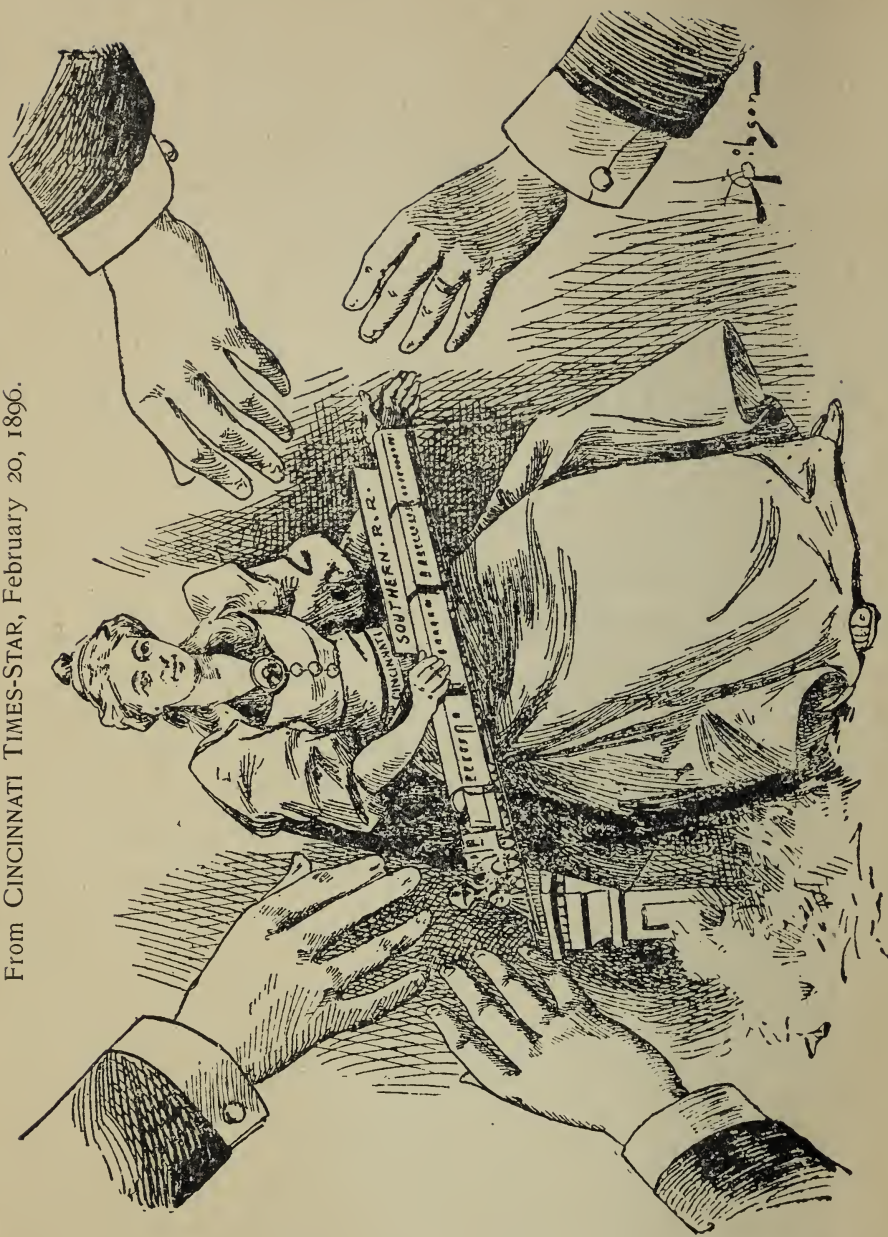
RAILROADS IN OPERATION,
 " PROJECTED,
 CIN. SOUTHERN RY.

THE
Cincinnati Southern
RAILWAY.

REPORTS, EDITORIALS,

And Other Articles Relating Thereto.

From CINCINNATI TIMES-STAR, February 20, 1896.



CINCINNATI.—“What Others Want Must be a Good Thing for Me to Keep.”

REPORT OF THE CHAMBER OF COMMERCE
COMMITTEE ON THE SOUTHERN RAILWAY.

Cincinnati, June 17, 1891.

Col. Lowe Emerson, President Cincinnati Chamber of Commerce and Merchants' Exchange:

Dear Sir—Your committee beg leave to report that they have had under consideration the subject of leasing or selling the Cincinnati Southern Railway, as suggested by Mr. M. E. Ingalls in his address before the Commercial Club, with similar committees from the Board of Trade, Commercial Club, Freight Bureau, and Builders' Exchange, acting as a Joint Committee. This Joint Committee has held several meetings, and, after a full discussion of the matter, it was referred to a sub-committee, consisting of Messrs. Gazzam Gano, J. J. Hooker, A. B. Voorheis, J. M. Robinson and Archibald Colter, to formulate a report, which is herewith submitted for the consideration of the body, and which the committee recommend the adoption of.

(Signed) James Dalton,
Gazzam Gano,
Charles Fleischmann,
Michael Ryan,
Richard Dymond.

Cincinnati, June 15, 1891.

Hon. James Dalton, Chairman:

Dear Sir—The sub-committee from the General Committee, composed of representatives from the Chamber of Commerce, Commercial Club, Board of Trade, Builders' Exchange, and Freight Bureau, appointed by the various

bodies to consider the subject of a sale or extension of the lease of the Cincinnati Southern Railway, beg leave to report as follows :

As to the Sale: With the present lease in effect, the sale of the road could only be made to the present lessees, and it goes without saying that under the circumstances the city would be placed at a serious disadvantage. Were it possible for the present lessees to obtain legislation modifying their charters so as to authorize the purchase of the road outright (for it is presumed they have no such authority), and could finance in such a way as to be able to pay over to the city the value of the road, would it be desirable from any point of view that the city should come into possession of this large sum of money? The city, or its trustees, having no power to sell under existing laws, would necessitate legislation, not only in our own state, but in Kentucky and Tennessee, a submission of the question to the electors of the city, and the unanimous consent of the bondholders holding a first lien upon the road. To secure the requisite legislation for the purpose would consume time and be attended with expense, and the unanimous consent of the bondholders would apparently be an impossible thing to secure. Thus, after the necessary laws were secured, and the consent of the electors of the city had to the terms of sale, the refusal of one or more of the bondholders to accept a transfer of security would defeat a sale.

As to Extension of the Lease: The act of March 6, 1889, authorizes the Trustees of the Railway, with the approval of a majority of the Trustees of the Sinking Fund, to extend the lease at a rental of not less than \$1,250,000 per annum from the termination of the present lease—October 12, 1906—provided that said extension shall be made within three years from the passage of the act; so that, under the powers now held by the trustees to extend the lease, it will be necessary to act on or before March 8, 1892.

The same act, without any limit as to time, grants authority to the Sinking Fund Trustees to extend the payment of the bonds for a period not exceeding forty years,

provided they can arrange with the holders of any portion of said bonds at a rate of interest not to exceed four per cent. per annum. Even if this is not practicable, and can not be accomplished by the Trustees of the Sinking Fund, with the lease extended perpetually at not less than \$1,250,000 per annum, by the time the bonds mature, the prospects are that at the rate of interest at which they can then be refunded, the net income to the city will be \$500,000 at least. With this a sinking fund can be accumulated that will eventually pay all the bonds of Cincinnati, leaving the city practically free from debt.

Thus, for this reason and because the extension of the lease will benefit the lessees of the road, whose interests are to a great extent our interests, your Committee are unanimously of the opinion that the best interests of the city will be subserved by an extension of the lease perpetually, with certain modifications to the existing lease that experience under it and the changed condition of railroad operation in the South demands; and as the power granted the trustees to extend the lease under the act of 1889 expires in about nine months from the present month, no time should be lost in arranging to carry out its provisions.

The proposition that the city advance a certain sum of money to provide terminals and for the betterments of the road, we are constrained to believe, would not be a popular measure in Cincinnati; would also require additional legislation, and your Committee is of the opinion that this should not be considered.

In the original conception and construction of the Cincinnati Southern Railway it was in the minds of the people to fortify the commercial position of Cincinnati by improving the lines of communication with the South, and to secure to her merchants and manufacturers greatly-needed facilities for reaching that growing and prosperous section, and at the same time to make an investment that would be self-supporting, if not a source of profit.

To the completion of the Cincinnati Southern Railway may be traced the conditions which have stimulated the growth of the Louisville & Nashville System, and the aban-

donment by its management of the narrow policy which prevailed at the time when Cincinnati was without a Southern railroad, which has changed it from a local road, terminating at the Falls of the Ohio, to the great system, with its real terminus and future headquarters at Cincinnati.

The somewhat remarkable earnings per mile of the Cincinnati Southern Railway Company finally attracted the attention of those in control of the East Tennessee, Virginia & Georgia Railroad, a line which has always been operated as an east and west line. The mileage earnings of the East Tennessee, Virginia & Georgia Company having been only about forty per cent. of the Cincinnati Southern Company, and the foresight of its owners in securing the control of the Cincinnati Southern, and proposing to carry out the announced policy of making the two systems a north and south one, is only an additional indication of their remarkable capacity for railroad management.

When it is considered that the Cincinnati Southern has scarcely a mile of branch roads, it can readily be seen that with the improved terminals, increased sidings and other facilities, a perpetual lease would justify the leasing company in providing, and the tributary territory that will be opened up by the present East Tennessee systems, that there could scarcely be a doubt of its capacity to earn the increased rental provided in the lease.

In fact, your Committee are of the opinion that there should be a provision in the lease that when the gross earnings exceed a certain amount per mile a certain percentage of the surplus should come to the city as increased rental, these figures to be fixed by the parties to the lease as may be hereafter agreed; also that provisions should be made that will admit of a greater distribution of the products of Cincinnati and of the entire Ohio Valley than was possible under past conditions, and to an extent that would justify the reasonable anticipations of the mercantile and manufacturing interests, and to counteract the traffic arrangements that were made by antagonistic lines in anticipation of the completion of the Cincinnati Southern, which still exist, greatly to the detriment of Cincinnati.

While there is a provision in the lease at present that "Cincinnati shall not be discriminated against," your Committee are of the opinion, in view of the valuable concessions proposed to the present lessees in offering a perpetual lease, that there should be embodied in the new lease a specific covenant more plainly embodying that provision, to take effect at once, providing that to the following certain points upon the line of the Cincinnati Southern, and of the two companies which propose to guarantee the faithful obligation under the lease, the East Tennessee, Virginia & Georgia and the Alabama & Great Southern, that the rates from Cincinnati shall not exceed the percentage named of the rate from New York by any line or combination of lines to

Knoxville & Chattanooga.....	45%	of the rate from New York.
Rome.....	50%	" " "
Atlanta.....	60%	" " "
Birmingham.....	60%	" " "
Selma.....	65%	" " "
Anniston.....	60%	" " "
Meridian.....	65%	" " "

In asking that the lessees of the Southern Railway covenant this in specific terms, we ask that which we believe they, as far-sighted business men, will recognize as having compensating advantages in the increased value and volume of their traffic, and to which they will cheerfully agree. Your Committee does not think that this stipulation involves the abandonment by said lessees of any existing right, or abridgment of any proper liberty in the management of their property, but that it is just and reasonable.

It requires no prophet to predict that the best interests of the owners of railroad property lie in a consolidation of interests, whereby the transportation business to certain sections shall be absolutely under control and without competition. Giant strides have been made in this direction within the past five years, but the combinations likely to be brought about in the next ten years will throw what has been done in this direction in the shade.

Rumors even now are rife of consolidation which would absolutely control every pound of traffic south of the Ohio river and east of Cairo and the Mississippi state

line. These combinations are made not in the interest of the public, but in the interest of the owners of railroad property; and to provide against the consequences that will result from such combinations your Committee are opposed in the strongest terms to any extension of the lease without a provision for the protection in rates of freight, as mentioned above.

The city had far better assume all the risks of finding a lessee for the road at the expiration of the present lease than to extend it without these provisions.

Respectfully submitted,

(Signed) Gazzam Gano,
A. B. Voorheis,
James J. Hooker,
James M. Robinson,
Arch. Colter.

The consideration of the foregoing is made the special order for Wednesday, June 24, 1891, at 1:15 p. m.

EXTRACT FROM RECORDS OF CHAMBER OF COMMERCE,
JUNE 24th, 1891.

Upon motion, the report of the Committee was adopted without discussion, and referred to the Trustees of the Railroad, and the Trustees of the Sinking Fund.

FROM THE CINCINNATI ENQUIRER, FEBRUARY
3, 1895.

Tabled and Practically Killed—Fate of the Obnoxious Alabama Railway Bill, Which so Seriously Threatened Cincinnati Interests—Departure of a Local Committee For Montgomery.

BIRMINGHAM, ALA., Sunday, February 2, 1895.—The railroad monopoly bill, which proposed to allow the foreign holder, whether he be a stockholder in the Alabama corporation or not, to vote in the election of Directors for the Alabama corporation, and by the passage of which by the Legislature the Southern Railway Company expected to euchre the Cincinnati, Hamilton & Dayton out of the Alabama Great Southern Railroad, was killed in the House at Montgomery this afternoon.

A week ago two bills were introduced in the Legislature in each branch. Their provisions were identical. The Senate bill, introduced by President Pettus, passed that body last Saturday without discussion. Not until it had passed the Senate were its provisions discovered by those who opposed its objects. On Monday a similar bill, which had been introduced in the House by Representative Weller, came up and was rushed through Tuesday, despite the protests of the Commercial Club of Birmingham, who meanwhile had discovered its purport and wired to the representatives from this county to fight it.

A strong committee was sent from here, but were met by a stronger body of the Southern Railway in Montgomery. The committee succeeded in stopping the Senate bill in the House, but the House bill passed both branches, being amended in the Senate and passed that body yesterday. The amending of it in the Senate took it back to the House, where it came up again to-day.

Meanwhile Governor Oates and members of the Legislature had been flooded with protests against the measure, the full injustice of which had not before been made clear either to the Governor or to the legislators who had but one side of it. This afternoon when the House bill came back amended from the Senate for concurrence, Representative O'Brien moved that the bill and amendments be tabled. The motion prevailed by a vote of 46 to 22. This effectually kills the obnoxious measure.

When the action was taken in the Alabama Legislature, as described in the above special dispatch to The Enquirer, word was immediately sent by the Commercial Club of Birmingham to the Chamber of Commerce of this city, stating the fact and showing that it was unnecessary for the committee to go down to wait upon the Governor, as decided upon.

When this message was received by Superintendent Murray it was decided to communicate with the Governor through his Private Secretary, asking him to confirm the report. President Glenn then received an answer from Governor Oates that the bill had been tabled and that it

was probable that it would be taken up for reconsideration. In accordance with this information it was decided best for the committee to make the visit to Governor Oates anyway, and the committee left last night at 8 o'clock over the Queen & Crescent, having been escorted to the depot by a number of members of the Chamber of Commerce, headed by Superintendent Murray. There were some appointees that were unable to go. The delegation, as revised, consisted of W. H. Doane, J. L. Workum, Henry L. Goemann, C. B. Burkam and J. M. Kennedy. The committee expects to return on Tuesday.

The Trustees of the Cincinnati Southern have also joined in urging Governor Oates to veto the bill if it reaches his desk after passing both branches of the Legislature. These Trustees, appointed to protect the city's property, at their regular meeting yesterday ordered telegraphed to the Governor of Alabama the following dispatch:

Hon. William C. Oates, Governor of Alabama, Montgomery, Ala.: The Trustees of the Cincinnati Southern Railway respectfully request that you withhold your approval of the act of the General Assembly of Alabama, entitled "An act to provide for the calling and holding of meetings of stockholders of railroad corporations in certain cases, and regulating the voting, the election of officers and the transaction of other business at such meetings," until a further full and fair consideration can be had of the effect of this act upon the relations between the Cincinnati Southern Railway and the Alabama Great Southern Railroad as links in the through line between Cincinnati and New Orleans, as well as other points in Alabama, Mississippi, Louisiana and Texas. By order of the board.

E. A. FERGUSON, President.

From the Commercial Gazette, March 23, 1895.

THE CINCINNATI SOUTHERN RAILROAD.

The Southern Railroad is a great improvement. It is with us. In so far as regards the connection of Cincinnati with the South it is not a disappointment.

Its cost, as measured by the bonds issued for its construction, was \$18,600,000. Its actual cost, including interest and deficit in the income, may be stated in round figures at \$28,000,000. It should be noted, however, that the lessees have added \$3,000,000 to the value of the property by arching tunnels, relaying tracks, constructing side-tracks and building depots. This was done in accordance with the terms of the lease, and is all the property of the city. Furthermore, the lease is secured by the individual liability of the stockholders of the leasing company, and more substantially by the rolling stock.

This is the situation :

The rental, which is a liberal one, has always been paid, and there is no valid reason to doubt that it will continue to be paid, and that when business becomes normal the lessees will find a profit rather than a loss.

The property may therefore be classed as a big goose with a big show of feathers. It is natural, therefore, that there should be a desire to pluck it. From the outset there was a desire to pluck it, and this we presume will continue to be exhibited. It is somewhat significant to notice that the parties who sought through designing influences to obtain the control of this property at the outset through a lease are still alive and kicking, and screaming precisely as they did when the Trustees leased the road virtually to the Erlanger syndicate. It may be remarked in this connection that syndicates of that character seldom die and never resign. We do not pretend to say that the purpose was originally to obtain control of the road for the purpose of wrecking it. All readers may reach their own conclusions.

The Board of Trustees who made the lease was composed of Miles Greenwood, E. A. Ferguson, R. M. Bishop,

Philip Heidelberg and William Hooper. The Board was appointed by the Superior Court, and it was a strong one. It had the confidence of our citizens, and no one will question that it acted in the interests of the taxpayers who owned the property. They were themselves at the time large taxpayers. That was never a political machine. No board appointed by the Superior Court could be a political machine. There have been no changes in that Board except through death or resignation. We are not sure that Henry Mack was not one of the original trustees, but he is now a trustee. W. W. Scarborough was at one time a trustee, but he resigned. At any rate the trustees from the beginning down to the present time have been men who commanded the confidence of the people. They stand as the representatives of the city. Their duty is to see that the terms of the lease are complied with, and we may be sure that the property is safe in their hands.

It is very easy to say that the property has run down. It is always much easier to lie about it than it is to tell the truth. Assertions are made without difficulty, and the more a person is disposed to depart from the line of accuracy the less difficulty he experiences.

The fact is, the Southern Railroad is worth more, as measured by actual expenditures, to-day, to the extent of three or four million dollars, than it was when handed over to the lessees. Stick a pin right here and thus mark what is to be said about it.

It is claimed by the goose pluckers, by the designing syndicates, by the growlers, and by the defamers of Cincinnati, that somehow or other the municipality is liable to lose this property, whereas great railroad corporations are contending for its possession. The Cincinnati, Hamilton and Dayton Railroad Company want it in connection with the Alabama Great Southern. It virtually has it, and its actual possession depends upon technicalities which are pending in court.

An attempt was made to use the Alabama Legislature for the purpose of defeating the plans of the Cincinnati, Hamilton and Dayton Railroad Company, but that, through the veto of Governor Oates, was overcome.* In this condi-

* See page 8-10.

tion of affairs it is not worth while to talk about the failure of our Southern Road as an investment. It is in no danger except from goose pluckers, from schemers, from syndicates that would take a copper from a dead man's eyes without any conscientious scruples.

It may be said just here that the city of Cincinnati does not propose that anybody shall steal this valuable property. It is ours. We built it. We paid for it. There is no danger of a receiver. It is true we paid for it in bonds, but these are good. The city is responsible for them, and the city would not go into bankruptcy even should it lose its investment in that property. At this point stick another pin.

We are now told that the rental does not pay the interest on the bonds outstanding. This is true. But why? Ten million dollars of the bonds outstanding bear interest at the rate of seven and three-tenths per cent. Why was such an exorbitant interest necessary? It was not so exorbitant then as it seems to be now. But still it was higher than in other cases. But this was due to the kickers and to the defamers of Cincinnati. These we had in the past, we have them now, and we apprehend they will remain as thorns in the municipal flesh.

It was argued first that the act authorizing the construction of the Southern road was unconstitutional. This having been settled by the Supreme Court, it was then insisted that the road would never pay; that it was a wild scheme, and that it would ultimately bankrupt the city. These unpatriotic assertions were printed in pamphlet form and diligently circulated among foreign investors. The latter, feeling there was a risk about it, insisted on high rates, and it thus happened that the first ten million dollars of bonds issued bear interest at the rate of seven and three-tenths per cent. Subsequent issues, amounting in the aggregate to \$8,600,000, were placed at six per cent. This is the reason why the rental does not pay the interest on the bonds, and this is the reason why Cincinnati taxpayers are required annually to make up the deficit. Place the responsibility for this where it belongs, and in thus placing it, the measure of those who are now depreciating the prop-

erty and insisting on its sale at a time when no solvent person would undertake to sell anything, may readily be taken.

It happens, fortunately, that in 1902, or seven years hence, the \$10,000,000 seven and three-tenths bonds become matured. A few years later the \$8,600,000 six per cent bonds mature. These could now be refunded by the city of Cincinnati, without any mortgage on the Southern road, at four per cent. Now let us see how that would figure.

Four cent on \$18,600,000 would be \$744,000 against a rental of \$1,200,000. That would leave a net profit to the city of \$456,000 per annum. This is not guess work. It is based on facts, and the figures can not be made to lie by even the most unscrupulous manipulator. Would it be wise, therefore, to sell the road for \$18,600,000?

But it is asserted by the bears that the lessees can not afford to pay the rent; that they will not continue to pay it, or that they will wreck the property through failure to maintain it. The lessees have not failed either to pay the rent or to maintain the property, and if the plans of the C. H. & D. Railroad should be carried out, that company would virtually take the place of the lessees. Thus the city would be safe. Soon the deficit would not only disappear but would be changed into a surplus. This is the standpoint from which our citizens should look at the matter, and is certainly the true standpoint from which all who have the interests of the city at heart should view it. It is not the standpoint from which schemers will look at it. The goose could not be successfully plucked that way. Hence there are misrepresentations, figures are twisted, and lies are magnified.

Let us look at it in another way. Taking the full cost of the road to the city, including the balance of interest against us, at \$30,000,000. Four per cent. on this would amount to \$1,200,000, which is the figure that the lease will produce. Would any corporation or syndicate be willing to pay \$30,000,000 for the property? Perhaps not. But should the city, which can borrow money at four per cent., sacrifice the property? Certainly not.

But Cincinnati owns the road. Since its credit is good,

since it built the road, not with a view to profit, but for the purpose of extending our trade into the South, should we now rush to the auction block and have our financial interests sacrificed? This is a paramount question.

It is to be remarked in this connection that the South which we aimed to reach through the Southern Railroad was very different from the present South. Then it was the Old South; now it is the New South. Then developments in that country were just beginning. Now they are in a condition of great progress, with a future that promises extraordinary results. Is not this likely to enhance the value of the Cincinnati Southern Railroad? And is not this an improvement that Cincinnati should hold on to? Not for a money profit, but for a *business advantage*. It should be careful not to permit it to be controlled by interests if not directly antagonistic to our city, certainly with paramount interests in other directions.

When the question of leasing the Cincinnati Southern Railroad on long time comes up for consideration, the time for action will have been reached; always provided that the lessees shall have more interest permanently in Cincinnati than in any other direction. We should risk nothing on the patriotism of railroad corporations. With these it is not patriotism, but business. For the same reason Cincinnati should be governed exclusively by business considerations.

The South presents to-day a great field for our merchants and manufacturers. There lies the raw material; there lies also a market for our products. Notice the tide of emigration to the South. Notice the growth of her cities. Notice the progress in agriculture. Notice the development of her mineral resources. Notice the still undeveloped mines. Notice the fact that this source of wealth in the South has so far been barely scratched. Notice the prospect that the iron of the South at no distant day will be marketed in London. Take a comprehensive view of all these things, and then see with a prospective eye if the South is not to prove to Cincinnati what the Northwest has proved to Chicago; and then, having made calculations, answer the proposition whether Cincinnati should virtually give away this great trunk line between Cincinnati and the

South, or suffer our rich goose to be plucked by those who would sidetrack this great city. Keep your eye on the Cincinnati Southern Railroad.

From the Commercial-Gazette, March 2, 1896.

THE SOUTHERN RAILROAD.

Much has been said, and no doubt much will continue to be said, about the sale of the Southern Railroad; yet the public at large seem to be willing to drift along and permit the proposition to take its chances. The effect of this seeming indifference is to encourage agitators or hobby riders to keep themselves before the public. The movement of these people may be honest, or there may be a selfish object in view, or it may be the result of spontaneous vanity or exaggerated ideas of self-importance. We do not pretend to say; but there is one thing that the tax-payers of Cincinnati should not forget, and that is that the Southern Railroad property constitutes a big goose, and a goose is valuable because of its feathers. The plucking party in this case may be looked for on the side of syndicates, or combinations, or railroad companies, who would naturally desire possession of the property on the basis of a low valuation. The first movement on this side, with the pluckers in the background, would be to depreciate the property, to talk disparagingly of its physical condition, to speak about the possibility of parallel lines, to say that it cost too much to build it originally, to say that it could be reproduced for half of \$20,000,000, and so on for quantity. Yet these people pretend to be speaking in the interests of Cincinnati. Such persons, if they are honest, should be bored for the hollow horn.

Business men who are intelligent, and who have property for sale, do not begin by depreciating it through advertisements or oratorical displays. The policy in such cases is to exaggerate the value of the property that is for sale, or may be for sale.

The Southern Railroad was built at a time when labor and material cost much more than at present, but the right of way did not cost much, and it was built for cash. It is true city bonds were issued, but these were based chiefly on the credit of the city, which was good then, notwithstanding the flippant remarks and arguments of the chronic opponents of that enterprise. The effect of the opposition at that time was to compel the payment of a higher rate of interest on the city bonds than was current at that time. Thus \$10,000 000 in bonds were issued, that bear 7.3 interest; there was another issue at 7 per cent., and the final issue, when people came to their senses and the measure of the opponents was fairly taken by capitalists, was placed at 6 per cent. So we have a bonded debt of \$18,600,000, bearing interest ranging from 6 to 7.3 per cent. This is all secured, first by the city, and second by a mortgage on the railroad property. There is no other debt resting on the road, and there is no stock whatever.

The credit of the city is now such that these bonds could readily be replaced, secured by the city and the road at $3\frac{1}{2}$ per cent. or less. If placed even at 4 per cent., the net profit to the city from a rental of \$1,000,000 would be \$260,000 per annum, and no one doubts that the railroad could be rented on a fifty-year lease, or a perpetual lease, at \$1,000,000, with an addition of a graduated percentage of the gross earnings. This is a plain business proposition, which every one capable of thinking can readily comprehend. Yet this is the property which Mr. Dexter has frequently said is a menace to the credit of Cincinnati, and which Mr. Perkins has so often flippantly remarked should be sold at once, inasmuch, as he claims, it is falling behind physically, and is likely to be wrecked by those who manage it.

Preposterous would be a very mild term to apply to so-called arguments of this kind. No one worthy of serious attention claims that the road is not in a better physical condition than at any former time in its history. It is not long since Mr. Bouscaren, one of the foremost civil engineers in this part of the country, and a man of unquestioned reliability, made a report as to the physical condi-

tion of the road, in which all the facts were presented in detail. This report also showed that over \$3,000,000 had been spent on the road by the lessees in arching tunnels, renewing rails and building sidetracks. All these permanent improvements become the property of Cincinnati, while the equipments are the security of the Trustees for the fulfillment of their leasing contract, and this security has steadily increased, and must continue to increase, in order to meet the requirements of a growing business. Furthermore, as Mr. Ingalls has shown, the business of the Southern Railroad, during the years of depression through which we are passing, has been better than that of almost any other road in this part of the country. Now, these are the stubborn facts which the tax-payers of Cincinnati, who own the road, are bound to consider, and these are the facts which, when fairly considered, would drive to cover those agitators who are seeking to depreciate the value of that property.

And when we come to talk about public sentiment, what is it? Where do we find its expression? On Monday the Chamber of Commerce, with a membership of 1,600, held a meeting and passed a resolution favoring action by the Board of Legislation declaring it necessary to sell the property. The total vote at the midday meeting of the Chamber was 74, and 42 favored the resolution, while 32 opposed it, while quite a number of the 42 did not favor a sale of the road, but proposed to have the matter placed in the hands of the Trustees of the Sinking Fund, in order that offers may be made, if there are any offers in the background. This is called an expression of public sentiment; bear in mind that, out of 1,600 members of the Chamber of Commerce, all, or nearly all, business men, only 74 took interest enough to attend the meeting or vote on the question.

From the Times-Star, March 23, 1895.

THE RAID ON THE SOUTHERN RAILROAD.

For some time several public-spirited citizens have been greatly disturbed about the safety of the Cincinnati Southern Railroad. They have been anxious to find out all about its condition, to ascertain private views of citizens on the subject of its disposal, and, in general, to stir up as much commotion as possible. This was apparently done all in the interest of the city, and a patriotic desire seemed to weigh down these citizens to do something great to protect the city's interests in the road.

At the same time they were publishing to the world that the road was running down, the debt was increasing, the rent could not be paid, that disaster stared the operating company in the face, and, in a word, that the whole Southern Railroad property was going to the demnition bow-wows.

Mr. W. T. Perkins is the gentleman who has been circularizing the town on this subject. It appears that Col. Woodard has been employed by him to hunt up facts. Mr. Perkins wants to sell the road at once. He does not listen to leasing the road. Now comes Col. Woodard in an interview yesterday, in which he discloses the fact that he was employed not only by Mr. Perkins but by Mr. Greenough and Mr. Crawford, his attorney. These gentlemen, it will be recollected, belong to the Southern Railway company which recently tried to push through the Alabama legislature a scheme to seize the Alabama Great Southern railroad, against the interests of the C. H. & D. people. * Col. Woodard gives the views of his employers of the Southern railway that the road must be sold at once, the mortgage must be foreclosed, and the city get what it can out of it. These views coincide in a remarkable degree with the views of Mr. Perkins, who is another employer of Col. Woodard. Now, it is quite remarkable that this umbilical cord should exist between Mr. Perkins and the Southern railway people—that is, Brice & Co., Col. Woodard being the umbilical cord.

The persistence with which the Cincinnati Southern railroad has been depreciated and attacked, furnishes reasonable ground for belief that there is a systematic effort to force a sale of the road at a sacrifice. The Southern railway is not spending money in Cincinnati for nothing. The gentlemen who can see nothing good about our own Cincinnati Southern and are everlastingly charging depreciation of property and failure of payment of rent are simply expressing what they hope may become true. This class of patriotic citizens who are so zealously laboring in behalf of the city in their own peculiar way, should be looked upon with suspicion. It is well known that the last two years have been the most trying in the history of railroads in this country. The Cincinnati Southern has paid the city's rental and has only borrowed \$60,000 in that time. It would seem as if certain people were becoming exasperated because the lessee company has not actually defaulted in the payment of rent.

Cincinnati Enquirer, April 3rd, 1895.

QUEEN AND CRESCENT.

Alabama Great Southern Injunction Case Will Soon Be Heard.

(Chattanooga Times.)

The contest for the possession of the Queen and Crescent Railway will be renewed in the Alabama Courts this week when the Alabama Great Southern Injunction case will come up for a hearing before the Supreme Court. Cincinnati, Hamilton and Dayton directors of the Alabama Great Southern were elected and the Southern Railway people enjoined them from being put in.

That's the story in a nutshell, but in order that the litigation may be thoroughly understood, a little history of the legal phase of the interesting question is necessary.

The Alabama Great Southern Railroad was built quite a number of years ago, it is claimed, by "Carpet-Baggers," the State of Alabama guaranteeing \$3,000,000 in bonds, and the road was built, but it became necessary for the State to seize the road, and a receiver was the outcome. But ultimately the sale of the property was effected to a foreign syndicate. The State then repudiated the bonds, but kept the money it received. The bonds of the old Alabama and Chattanooga Company, which was the original of the Alabama Great Southern Road, are something of history. The bonds that went abroad were purchased by the Erlangers, and here is where the renowned financier, Baron Erlanger figures. After several years of litigation the railroad property was sold under a decree of foreclosure issued by the Circuit Court of the United States and was purchased by the bondholders—that is the Erlanger syndicate.

In 1887, under the general corporation law, then in force, the purchasers organized the Alabama Great Southern Railway Company. The owners being entirely non-resident and citizens of Great Britain, for the purpose of convenient management, organized under the "companies acts" the Alabama Great Southern Railway Company, limited, of London, and the whole of the capital stock of the Alabama Great Southern Railroad Company or Alabama corporation, was transferred to the English company, which from its inception to the present time, has controlled the election of Directors of the Alabama corporation by reason of its ownership of all the capital stock. When the East Tennessee, Virginia and Georgia Railroad Company desired to secure control of this and other railroads connected with it, which form what is commonly called the Queen and Crescent route, embracing the Cincinnati Southern, the Alabama Great Southern and the Northeastern Railroad, and running from Cincinnati to the city of New Orleans, something had to be done.

To accomplish the result, the East Tennessee, Virginia and Georgia people bought a majority of the shares of the English syndicate, and in order to pay for them issued \$6,000,000 of these bonds jointly with the Richmond and Danville Railroad Company. These bonds are

known as the Cincinnati extension bonds, and in order to secure the payment of these bonds a majority of the capital stock of the English company was conveyed by deed of trust to the Central Trust Company of New York, and this majority of stock now stands recorded on the books of the English Company in the name of the Central Trust Company. Default was made in the payment of the interest and proceedings were begun in the Circuit Court of the United States, at Knoxville, Tenn. to foreclose this deed of trust.

Before this time Henry A. Taylor and his associates, who controlled the Cincinnati, Hamilton and Dayton Railroad, purchased a majority in value of these bonds and were made parties to the litigation, in regard to the foreclosure of the deed of trust, and are now undertaking to resist this foreclosure, but a decree was made in the foreclosure suit. On October 3, 1894, which was the day fixed for the annual meeting of the stockholders of the Alabama Great Southern, a stockholders meeting was held in Birmingham, Ala. All of the stockholders were present, the English company being represented by proxy. An election was held for Directors, and after the vote had been cast, but before the result had been announced, the tellers were served with an injunction by a United States Marshal.

John B. Greenough, who claimed to be a stockholder, sued out the injunction. It is a fact that Mr. Taylor and his associates received all the votes of the association except 13, out of a total vote of 156,600. The restraining order preventing the announcement of the result was issued by Judge Bruce. On the 8th of last November a bill similar in terms was filed in the Court of Birmingham by John Greenough, Calvin Brice and Thomas, asking an injunction similar to that which had been granted by Judge Bruce. The injunction was issued by Judge Wilkerson, and a motion was, therefore made by the defendants to dissolve the injunction. It was heard before the Judge on November 20, and he dissolved it, holding that the bill was wholly wanting in equity. He delivered an opinion on the first day of De-

ember, and on the same day the applicants appealed to the Supreme Court of Alabama and reinstated the injunction by bond. The case was brought to the Supreme Court, which held that it stood for trial on the 7th day of December, but the case was postponed until the April term.

Cincinnati Enquirer, April 4, 1895.

FOINTED.

The Committee's Report To the Freight Bureau on the Sale of the Southern.

They Advise Against It and Give Reasons For The Stand
Taken By Them.

At the time of the general agitation that was carried on in the city recently concerning the advisability of the sale of the Cincinnati Southern Railway, the Executive Committee of the Freight Bureau appointed from its membership a sub-committee, the duties of which were to examine into the existing conditions and to ascertain what grounds there might be for the advocacy of the sale of the road, if any, or what reasons there might appear for retaining the road as the property of the city.

This committee consisted of James J. Hooker, E. C. Goshorn, Earl W. Stimson and Thomas Morrison. The ground was carefully gone over, not only in connection with the alleged advisability of courting the Cincinnati, Hamilton and Dayton Railway and the Southern Railway Company as bidders, but also the financial condition of the Cincinnati, New Orleans and Texas Pacific Company, the present lessee of the Cincinnati Southern. The committee at a meeting of the Executive Committee of the Freight Bureau, held yesterday afternoon, presented its report, which was adopted.

The report is as follows :

Cincinnati, March 26, 1895.

Thomas Morrison, President Cincinnati Freight Bureau, City--Dear Sir: Your committee to whom was referred the matter of considering the present agitation through the press for the disposal of the Southern Road, begs leave to submit the following:

There is nothing in the action of the present lessees to justify the statements as to their defaulting upon the lease. Much stress has been laid upon the fact that the road is in the hands of a receiver.

Among those who are well informed the reason for the receivership is known to be for a cause entirely outside of the financial condition of the operating company. The property is in the hands of the lessee for the next 11 years, and, admitting the power of the city to sell the road, it would have to be sold subject to this lease.

At the present time the earning power of the railroad property is controlled by the same conditions that impair the value of all industrial enterprises. What manufacturer would be willing to sell his plant based upon its earnings for the last two years? Why should this time, the very worst period that has occurred for the last 15 years, be selected for the sale of this valuable property? Why agitate for the sale before the appearance of a probable buyer? It is no reflection on the management of the road that its earnings have declined. Its showing in this regard is quite as good as that of its competitors south of the Ohio River, and compares favorably with any or all lines north of it.

The merchants, manufacturers and taxpayers of Cincinnati have a direct interest in the Cincinnati Southern Railway, and the present management should have the substantial support of all citizens. A failure on the part of present operating company to pay its rental would be a reflection upon the business interests of Cincinnati. If the road receives the support that can be given it there need be no fears of such a result.

An investigation by your committee develops the fact that when the lease was made it was estimated that twenty

miles of side track would meet the requirements of the lease. The lessees have laid 76.56 miles in order to meet the requirements of commerce. The same general facts apply to renewals of rails, arching of tunnels and strengthening of bridges. In order to keep up with modern standards the expenditures by the lessees in this behalf have largely exceeded the original estimates of the Trustees' Engineer, reaching in the aggregate \$2,202,477.07.

That the property is being judiciously handled, is evidenced by the fact that, although the gross earnings for the last fiscal year were \$597,990.24 less than those of the preceding year, the net earnings show a shrinkage of only \$86,951.04. Your committee is assured that this result was obtained without allowing the condition of the property to depreciate. Your committee has every assurance that the service rendered the public and condition of equipment are fully up to the standard of a first-class carrier of both freight and passengers.

In conclusion, the committee cannot but be impressed with the fact that the agitation of this subject at this time will promote the interests of those who wish to depreciate the value of the property—without effecting any result of practical value to the city. Respectfully submitted.

James J. Hooker,	E. C. Goshorn,
Earl W. Stimson,	Thomas Morrison,
	Committee.

From the Commercial Gazette, April 15, 1895.

THE SOUTHERN RAILROAD.

The remarks of Mr. Ingalls at the meeting of the Young Men's Business Club, on Saturday evening, should put an end to the talk about selling the Southern Railroad. Mr. Ingalls presented his views from a practical standpoint; he is a practical man; while those who favor the sale of the road talk largely without knowledge.

In the first place, no party has come to the front with a proposition to purchase the road; there is no market for

it at any reasonable price; this, therefore, is not the time to agitate the subject. No man in his senses would sell railroad property, or try to sell it, in these days of extreme depression, unless forced to. Fortunately Cincinnati is not forced to sacrifice this great property.

A party who has property to sell does not usually depreciate it in advance, yet this is precisely what Mr. Perkins and some others have been doing for several months. The falling off in earnings has been used to scare citizens who do not take more than a superficial view of matters. But it happens that while the Southern road has suffered in earnings, it has come out better than most other lines, and Mr. Ingalls shows that when business returns to its normal condition, which it surely will, recent deficiencies will be more than made up.

The lessees have put into the road over two million dollars in the shape of permanent improvements; this is over one-tenth of the original cost; the rent is being paid, and it will continue to be paid; furthermore, there is reasonably good security for it. Why, then, should Cincinnati listen to wild talk about selling the road? It is true the rental is not sufficient to pay the interest on \$18,800,000 in bonds, but this is because the bonds bear the extraordinary interest of seven and three-tenths, seven, and a small proportion of them six per cent. These, if obtainable, could now be funded at less than four per cent. Then the rent would show a surplus of over \$400,000 per annum. Cincinnati would then be right in the road toward the realization of all that it has invested in that property, and this would be a great deal more than was originally expected. The time was when people in this city were willing to donate \$10,000,000 to any corporation that would agree to build a road between Cincinnati and Chattanooga. It looks now as if the city would get back all its money, and at the same time realize all the trade advantages and a great deal more in that line than was anticipated.

In seven years from now the seven and three-tenths bonds will mature; within thirteen years from now all the bonds will mature; from that time forward there will be

clear sailing, and Cincinnati, instead of paying out money annually, will realize a profit of \$400,000 per annum. That bonded debt, therefore, of \$18,800,000 will not count, for the reason that it will more than take care of itself. Thereafter taxes may be reduced, and this municipality will virtually have no bonded debt of consequence.

Keep your eye on the Southern Railroad, and at the same time keep your eye on the South. This city is now beginning to realize the importance of this great railroad line, which brings us into direct connection with the New South and the growing South.

From the Cincinnati Enquirer.

SENATOR BRICE SPEAKS.

He and Mr. Spencer Confirm the Big Railroad Deal.

The Enquirer has on more than one occasion of late insisted that the Southern Railway Company would finally obtain control of the Cincinnati Southern Road. *It is known that an offer allowing \$1,000,000 profit was made to the C. H. and D. people for their interest in the Cincinnati extension bonds, but this offer was refused,* and the Enquirer said then that the C., H. and D. people would eventually sell and that they were only holding off for a better price. The result proves the correctness of these predictions. The C., H. and D. party has sold all of holdings to the Southern Railway Company, and has been able to compel that corporation to grant it an equal interest in the C., N. O. and T. P., in addition to the price it received for the bonds.

The first intimation of the transaction received in Cincinnati came yesterday in the form of the following telegram from Hon. Calvin S. Brice to the Enquirer :

“Washington, D. C., May 3, 1895.

“You may say that the Cincinnati Southern and Alabama Great Southern properties were to-day transferred

from the C., H. and D. to the Southern Railroad Company, of which General Samuel Thomas is one of the leading directors.

CALVIN S. BRICE.

Upon receipt of this dispatch the Enquirer wired Mr. Samuel Spencer in New York, asking him to make an official statement of the transaction, and received the following reply:

To the Editor of the Enquirer:

New York, May 3, 1895.

It is true that the Southern Railway Company and the C., H. and D. have settled their differences, growing out of the Cincinnati extension bonds, and to the satisfaction of both parties. The settlement provides that the control of the Alabama Great Southern goes to the Southern Railway, and the representatives of that company to the extent of a majority have to-day been elected members of the board.

As regards the C., N. O. and T. P. a majority of the stock in that company is to be put into the hands of a trustee for the joint and equal benefit of the C., H. and D. and the Southern Railway. The effect of this is that the Southern Railway will control the Alabama Great Southern the C., H. and D. having no interest therein, and that the line between Cincinnati and Chattanooga shall be a neutral line, the control being owned and exercised equally by the C., H. and D. and the Southern Railway combined. This line between Cincinnati and Chattanooga is to be operated primarily in its own interest, and it will be open to exchange traffic with all lines at Cincinnati and at Chattanooga.

Of course there can be no change in the C., N. O. and T. P. at present, as that property is in the hands of a Receiver and must continue so until it can be properly reorganized.

The immediate effect of the settlement, however, will be beneficial in that it stops all litigation and contests over the control of the properties, and the C., H. and D. and the Southern Railway instead of being antagonistic will in the future be co-operative.

SAMUEL SPENCER.

President M. D. Woodford said last night to an Enquirer representative in New York:

"As affairs were going all interests were being hurt, and the transfer to-day makes everything bright, where before it was stormy. You know of the legal battles that were being waged. I said in a former interview: 'If we ever do sell our holdings it will be under conditions that will be a creditable business transaction, creditable to us as business men, and beneficial to Cincinnati, for Cincinnati's interests are our interests.' That time arrived to-day and we have, I think, lived up to what I said then. The Executive Committee of the Cincinnati, Hamilton and Dayton Road also met to-day and authorized me to sign a traffic contract with the Southern. It is a peculiar contract, because under its terms we can not do each other any harm, and each road will get every pound of freight and every passenger that it is justly entitled to. I said 'peculiar' for the reason that each road apparently has the best of it.

Mr. S. M. Felton, Receiver of the Cincinnati, New Orleans and Texas Pacific Railway, President of the Alabama Great Southern and General Manager of the Queen and Crescent System, declared himself pleased when seen last night at the Netherland Hotel, in New York, by a reporter.

"I am glad the matter in question is settled and out of the way," Mr. Felton said. "I think it an excellent thing for the various properties involved, and particularly for the city of Cincinnati."

From the Cincinnati Enquirer, May 5, 1895.

PLEASED ARE THE QUEEN CITY MEN.

That Cincinnati at Last Has a Clear Track to the Industries of Her Busy Southern Neighbors—Presidents Spencer and Woodford Size up the Situation—A Review of the Deal, Showing What It Constitutes and Its Advantages.

Cincinnati Southern affairs and the final settlement of the great questions involved in the operation of this property, furnished a fruitful theme for conversation yesterday among business men and railway officials. The parties who have personal and financial interests at stake in the great compromise have not yet divulged the exact details of the transaction. It is a peculiar one at best, and, perhaps, there has never before been a case when two independent railroad companies agreed to assume joint and equal control in the leasehold of a third railroad company. The Executive Committee of the C., H. and D. is known to have held a meeting yesterday afternoon in New York, at which President Woodford was authorized to sign a traffic agreement with the Southern Railroad Company's Directors to the effect that neither road shall enter into any other deal that is antagonistic to the other's interest, but that they shall work in harmony. This was a necessary sequence to the transaction, and the details of the traffic agreement will be awaited with interest.

Everyone realizes that the Cincinnati, Hamilton and Dayton Railway Company is operated in the interests of Cincinnati's trade. The line has its headquarters here, and its tracks traverse territory directly tributary to this city. It is distinctively a Cincinnati road, and Cincinnati's interests are its interests. From Cincinnati it draws its largest revenue, and it is therefore, fair to assume that its policy and interests in connection with the Cincinnati Southern will be all in the direction of operating the property in its own interest and in the interest of Cincinnati, which are identical.

It is a particularly good thing, too, for the C., H. and D. that it has been able to make an alliance with the Southern Railway Company, which gives it an outlet via New Orleans and the Eastern cities. The B. and O. S. W. reaches tidewater over the Baltimore and Ohio. The Pennsylvania has its own line East, and also works through alliance with the Louisville and Nashville.

BOTTLED UP.

Failing to make an alliance with the Queen and Crescent system meant to the C., H. and D. that it would be bottled up at Cincinnati and unable to get business through other lines. Friendly feeders are a most important factor in the problem of modern transportation, and as the Queen and Crescent system was the only available outlet left for the C., H. and D. at Cincinnati, it is easy to comprehend the motives back of the C. H. and D. party in making a vigorous fight for control of that property. If the Southern Railroad Company should for reasons of its own attempt to divert traffic from Cincinnati it is therefore fair to assume that the C., H. and D. people, having equal and joint control of the Cincinnati Southern, would make a demand on its own account for all business to which it is entitled.

There is, however, no apparent reason to suppose that the Southern Railway Company would or could divert the traffic of the Cincinnati Southern, either to Louisville or to the East, because the character of the business handled would not permit it. That road carries South the manufactured products and grain and provisions of the West and North, and it carries North the iron of Alabama and Tennessee and the fruits of Florida, and in both directions the large passenger traffic to and from the health resorts. How could traffic of this kind be diverted to the East? There is no danger to be feared of diversion of freight to Louisville, for although Samuel Thomas is President of the Monon, which reaches Louisville, and he is also largely interested in the Southern Railway Company, it is well known that the Monon's interests and arrangements are all with the Louisville and Nashville Company.

FROM NEW YORK.

Explanation and Comment by Presidents Spencer
and Woodford.

Special Dispatch to the Enquirer.

New York, May 4.

Although the Saturday half holidays are closely observed by Wall Street men and others in the financial district, Presidents Woodford and Spencer and Henry A. Taylor were busy all the afternoon in the Union Trust Company Building adjusting some of the details connected with yesterday's gigantic transfer.

President Woodford said after the meeting :

"There is very little to add to-day. We protected the Cincinnati, Hamilton and Dayton interests, and in doing so protected the interests of Cincinnati, because their interests are identical. It is the best thing that could have happened, for it brings a new feeder to Cincinnati, whereas before we joined forces we were taking traffic to Meridian, and from there on it was a constant battle with antagonistic lines. We now help them and they help us. Mr Henry A. Taylor leaves for Europe shortly. There are large English interests to be made acquainted with the details of the transfer."

President Samuel Spencer said; "The Southern Railway will now rest where it is. We have now reached our Northern geographical boundary, and will not go beyond it. All territory south of the Ohio River, or that old imaginary Mason and Dixon line, should naturally belong to Southern railway systems. When Cincinnati built its road, it crossed the border into our country. The purpose, of course, was to gather from the ramifications our people and our freight, and bring them finally over this one road to Cincinnati, which was to be benefitted financially, commercially and every other way by the enterprise, and, with this end in view, the project was carried out. Well, now suppose we had crossed your line and gone digging up into Ohio and Indiana and Michigan. Don't you suppose we would eventually have encountered opposition? Of course we

would, and you would have eventually effected an arrangement of the kind that was concluded here yesterday, by which we have both benefitted. In brief, it has made Cincinnati the northern and western terminus for the Southern system, which now embraces a round 5,000 miles. We will send our business there now cheerfully; whereas, prior to this time we did our best to divert it.

From the Commercial Gazette, May 15, 1895.

CINCINNATI SOUTHERN RAILROAD.

To the Editor of the Commercial Gazette:

The construction of a line of railway by a municipality is an experiment very rarely tried. It is at once a hazardous and a doubtful undertaking, requiring business sagacity and judgment of the highest order. There are times, however, when conditions render it imperative that much should be placed at stake in order that an object may be gained which, if lost, would entail the loss of reputation and fortune. This is the condition in which the City of Cincinnati found herself immediately after the close of the civil war.

Louisville was rapidly gaining the supremacy in commercial transactions throughout the South, by reason of her facilities for quick transportation of her products. The Louisville and Nashville Railroad, built principally through the influence and with the means of Louisville business men, was opened for traffic in November, 1859, between Louisville and Nashville. Cincinnati was only enabled to reach the same territory as that reached by Louisville by a long and tedious river transit to Louisville, thence via Louisville's railway to the South. This decided advantage enjoyed by Louisville over Cincinnati soon impressed the people of the Queen City with the imperative necessity of establishing a line of communication with the South as direct at least as was furnished by the Louisville and Nashville Railroad to Louisville commerce. It required longer to transport goods from Cincinnati to Louis-

ville than from Louisville to the destination of goods in the South. It was, therefore, not strange that the business of Louisville grew enormously at the expense of Cincinnati.

E. A. Ferguson, whose name will ever be synonymous with the Cincinnati Southern Railway, and to whose untiring industry and talent is due the credit that Cincinnati saved her reputation in the commercial world and is possessed of a property increasing in value each year, was the leader. Mr. Ferguson unselfishly devoted the best years of his younger life to this project, and only after repeated trials, which frequently seemed hopeless, did success crown his efforts. Cincinnati will never be able to sufficiently compensate Mr. Ferguson for the service which he rendered her, and although the wisdom of the construction of the railway by the city has often been questioned, and indeed it is even now being doubted and its sale advocated by some of the men who have been most benefited, a careful investigation of the entire question is convincing beyond reasonable doubt that it is one of the best investments ever made with the money of a municipality, and the longer it is held by the city the more unjustifiable will be the sale of it.

It is needless to repeat the story of the early struggle of the project, which is fresh in the minds of most of our business men of today. The Board of Trustees appointed by the Superior Court to construct the railway were men well fitted to discharge the duties devolving upon them. Mr. Ferguson was aptly chosen as the leader. It is also unnecessary to point out the mistakes which were made by the Trustees. They made them, as any body of men chosen to perform a like task would have done, and the most remarkable thing is that they were few, considering the enormity of their undertaking. Railway construction, especially the financiering thereof, had not reached that perfection which it occupies today. But in the light of their knowledge and experience, "they builded wiser than they knew."

Present-day financiering would have dictated the policy of issuing redeemable bonds, or longer termed bonds

with a lower rate of interest. It would have been possible, long ago, to refund the bonds at a uniform rate of interest, not to exceed four per cent. The financial conditions, however, prevailing at the time the bonds were issued regulated, to a great extent, the action of the Trustees, and the limitations under which they were obliged to act, in conformity with the special act of legislation enacted for the purpose of constructing the railway, were responsible for the conditions under which the loans were negotiated. It was not the fault of the Trustees, but of improper legislation, that caused this defect in the most important element of the life of the project.

The refunding of the indebtedness at a uniform rate of four per cent would save the people of Cincinnati about \$670,000 per annum. In 1902 the \$10,000,000 issue of bonds matures. If this issue is refunded at four per cent, which now bears seven and three-tenths per cent (a small portion seven per cent), it will effect a saving of \$330,000 annually in the interest charge. If, however, the sinking fund, which will have accumulated at that time, be applied to the reduction of the indebtedness, amounting to about \$3,275,000, and the new loan of \$6,725,000 be placed in lieu of the original \$10,000,000 issue at a rate of four per cent. a saving of over \$450,000 per annum will be enjoyed by the people of Cincinnati. This is in excess of the present levy for the Cincinnati Southern interest fund and sinking fund combined.

If the financial policy indicated above were carried into effect it would fix the annual interest charge after 1902 on the entire indebtedness at only \$800,000, against the present \$1,275,000, or a saving of nearly a half million dollars per annum. In 1901 the annual rental from the lessee will be \$1,250,000, which will leave the city a surplus of \$450,000. The present deficit is about \$250,000, which is raised by a tax levy of 1 445-1,000 mills on the city valuation of property.

In 1906 the six-million issue of bonds matures. By refunding this issue at not to exceed four per cent per annum interest, the interest charge may be further reduced about \$180,000 per annum. September 3, 1906

the present lease expires. No difficulty will be found at that time to re-lease the property at the same rental as that last paid by the present lessee upon a long-term lease, to enable the lessee company to justifiably improve the property. After 1906, therefore, the city will enjoy an annual surplus of about \$630,000.

In 1909 the last of the construction bonds mature. The surplus revenue derived from the time the rental exceeded the interest charge and the sinking fund, applied to the reduction of the indebtedness, the entire indebtedness at this time should not exceed \$8,000,000, or a reduction of about \$10,000,000 in the original loan. Thus the annual interest charge will not exceed \$315,000, netting the city a surplus of \$935,000 annually. This is nearly forty per cent of the total tax levied in the year 1894.

It is obvious, therefore, that the property will be self-sustaining after the year 1901, only six years from the present time, and yielding a handsome surplus each year, which in a few more years will be equal to nearly one-half the entire expenses of the municipality.

In the light of these facts, should the people of Cincinnati consider the disposal by sale of a property which is on the verge not only of being self-sustaining, but highly remunerative? By the time the rental shall nearly equal the interest charge the total deficit in the interest charge, which the people of Cincinnati have raised by taxation at the rate of about $1\frac{1}{2}$ mills annually, will amount to over \$5,000,000. It will require but a few years after 1906 to repay into the treasury of the city every cent of this deficit.

The people of Cincinnati have not paid dearly for entering the immense territory which has thus been opened to her commerce. At the time the property will cease to be a burden to the people it will have been in operation twenty-five years. Assuming that the deficit met by the people in the interest charge at the time aggregates \$5,500,000, then it will have cost but \$220,000 per annum as an entrance fee for our commerce into the South. Aside from this we have gained other advantages which in them-

selves are worth more to the City of Cincinnati than this sum thus annually added to our burden of taxation.

It would be possible to reduce our tax levy about ten per cent if the levy for sinking fund and interest charge of the Cincinnati Southern Railway were eliminated, and a subsidiary issue of bonds made to provide for this annual deficit and the sinking fund, which, in view of the large surplus which the property will yield in a short time, seems to be amply justified. If some of our able men of finance would give this problem their attention they might render the people of Cincinnati a service.

The question naturally arises, whether the property is worth what it cost, or whether it was extravagantly constructed. The manner in which it was constructed is a credit to the men who built it. It is one of the best single track railways in the country, and considering the nature of the country through which it passes, the construction was not unnecessarily expensive. The railway cost \$18,610,000, or a little over \$55,000 per mile, exclusive of rolling stock. The capital stock of the lessee company is \$3,000,000, which represents the equipment, which is equal to about \$9,000 per mile. Thus the railway ready for operation cost about \$64,000 per mile. The Louisville and Nashville Railroad, extending southwardly from Louisville, has a total indebtedness, including bonds and stock, of \$69,000 per mile. Its roadbed is not equal to that of the Cincinnati Southern Railway. The Illinois Central Railroad, extending from Cairo southwardly, has a total indebtedness of \$51,000 per mile, but passes through a country much more favorable to inexpensive construction. These comparisons, taken from lines operating in the same general field, and under similar conditions, indicate that Cincinnati's railway was economically constructed.

It is not claimed for this brief article to discuss in detail all the possibilities which a study of the economic questions involved therein opens up to one investigating the same, nor is it claimed that all the facts given are correct to the last figure, yet it will give the people who own this valuable property a general idea of its worth, and may

render them less anxious to part with the same. No business man builds up a business, and, after spending millions of dollars upon it to make it self-sustaining, disposes of it immediately before it becomes self-supporting, and yet this is precisely what some of Cincinnati's staunchest and most acute business men would do with this railway.

The judgment of Mr. Ferguson will be vindicated shortly, and Cincinnati will be able to substantially profit by the wisdom and forethought of the promoters of the Southern Railway.

L. C. FRITCH, C. E.

From the Enquirer, June 6, 1895.

SIZING UP

The Cincinnati Southern—An Expert Report On the Condition of the Road—The City's Interests Amply Protected by the Lessees—Betterments Amounting to \$2,204,000—The Work That Is Yet to Be Done.

During the discussion over the Cincinnati Southern Road and the city's interest in the same, which occupied public attention for several months preceeding the compromise between the Southern Railway Company and the Cincinnati, Hamilton and Dayton interests, Mr. S. M. Felton, President and Receiver of the Cincinnati, New Orleans and Texas Pacific Company, which holds the lease of the Cincinnati Southern, frequently stated that the physical condition of the property, and the improvements and betterments constantly being made, added largely to the value of the city's security. A definite confirmation of this statement is now obtainable from an official report, made at the instance of the Trustees, who employed Mr. G. Bouscaren, the eminent Consulting Engineer, to make a thorough examination and report on the physical condition of the railway and its appurtenances. Mr. Bouscaren has completed his examination and rendered a detailed report. It is too long to publish in full,

but the following abstract will be of interest to all who care to know the condition of Cincinnati's railroad:

FROM MR. BOUSCAREN'S REPORT.

The original 60-pound iron and 53-pound steel rails used for the construction of the main track have all been removed and replaced with steel rails of heavier pattern. Eighty-five-pound steel is now laid on 0.81 miles, 75-pound steel is now laid on 73.30 miles, 60-pound steel is now laid on 261.81 miles; total length of main track 335.92 miles.

The rails in the main track are in very fair condition. Seventy-five-pound rails were being distributed at several points to take place of the 60-pound rails. The company expect to lay 42 miles this year.

Sixty-three miles of automatic block have been introduced to protect the operation of trains through the principal tunnels and bridges. Interlocked signals have been put in at all railroad crossings for the protection of trains. All telegraph stations have been equipped with semaphore signals at the stations, and a large proportion of them with distant signals, automatically connected with the home signals.

All these appliances have added greatly to the dispatch and safety of operations.

CONDITION OF TIES.

The average number of ties renewed per year per mile has been 365. The average length of service of ties in track has been 7.24 years. This is a fair showing, considering the conditions of climate and traffic. Ties are now being distributed and put in on many sections of the road, and the ties that are being delivered are of excellent quality.

The average quantity of ballast used per year was 52.782 cubic yards. The condition of the track, with respect to ballast, shows that a considerable amount of work is still required to bring the track up to the proper standard. On 186 miles the ballasting is all that could be desired; on 150 miles it is more or less scant. Gravel ballast is used on 75 miles; furnace slag is used on 86 miles;

broken rock is used on 175 miles. Stone ballast was being distributed and put in at various places on the northern division.

BRIDGES REPLACED.

All the wooden bridges have been replaced with iron or steel structures, and about three-fifths of the wooden trestles have been filled or replaced with structures of iron or masonry.

In addition to the 2,983 linear feet of iron bridges and viaducts built by the company, one of the spans of the north approach to the Ohio River bridge and two spans over Green River, a total of 350 linear feet, have been rebuilt. Of the 83 iron structures on the road 49, including the Kentucky, Cumberland and Tennessee River bridges, are in good condition with regard to painting; 34, including the Ohio River bridge, are in need of painting.

Fifty-three intermediate stations are provided with combined freight and passenger depots, five with small depots and waiting rooms and fourteen with buildings built on the right of way by private parties under licenses and used for depot purposes. Twenty-two of the depots were built by the lessees and important additions made to many others.

NEW BUILDINGS ERECTED.

Twelve section houses have been built by the lessees. Five stock yards have been built and others extended. Five track scales have been put in. Water stations, with impounding reservoirs, have been established at Sherman and Williamstown. Water columns have been provided at the most important stations, and, with five exceptions, the old tanks have been replaced with 50,000-gallon tanks. Eleven coaling stations for the supply of locomotives have been built. Turntables have been put in at three stations, and all the round houses have been extended. Eight additional stalls are needed at Chattanooga. A hotel at Oakdale and two cottages at Oakdale and at the Tennessee River bridge have been constructed. A steam car hoist at Cincinnati and electric plants at Ludlow, Oakdale and Chattanooga have been built. The machine shops at Lud-

low and Chattanooga have been destroyed by fire and rebuilt, the former on grounds purchased by the lessees. Various other structures, including sand and oil houses, yardmasters' offices, interlocking towers, etc., have been built by the lessees.

COST OF BETTERMENTS.

On June 30, 1894, the cost of the betterments made by the lessees, which, under the conditions of their contract, must revert to the city at the termination of the lease, was:

Track and roadbed.....	\$1,556,807 22
Bridges.....	259,349 79
Buildings.....	284,407 07
Miscellaneous	9,451 77
Engineering (proportion).....	43,958 37
Amount paid for work and wages.....	50,502 80
Total.....	<hr/> \$2,204,477 07

The approximate estimate of the cost of completing the Cincinnati Southern Railway by the lessees under their contract with the city, as prepared by your consulting engineer in November, 1880, was \$2,786,462 25.

WHAT REMAINS TO BE DONE.

To comply with the specifications of the lease there remains yet to be done arching of 5,317 linear feet of tunnels, replacing 4,016 linear feet of wooden trestles with embankments or with permanent structures of iron and masonry, completion of the block system, completion of fencing, additional sidings, additional buildings and extension of present buildings.

The cost of these improvements, added to the amount already expended, will probably exceed your engineer's estimate, owing to the enlarged equipment in buildings and tracks required to handle a traffic much larger than was expected.

The bridges built by the lessees during the last five years have been constructed with a due regard to heavier loads.

ROLLING STOCK AND EQUIPMENT.

The rolling stock and locomotive equipments at the beginning of the lease and at the present time compare as follows:

Locomotives—October 12, 1881, 55; June 30, 1894, 104. Increase, 49.

Passenger, Baggage and Express Cars—October 12, 1881, 38; June 30, 1894, 66. Increase, 28.

Freight Cars and Caboose—October 12, 1881, 1,482; June 30, 1894, 3,877. Increase, 2,395.

The number of locomotives has been increased 89 per cent.

The passenger equipment has been increased 74 per cent.

The freight equipment has been increased 161 per cent.

Locomotives of increased weight and power have been acquired for the passenger as well as for the freight service. Air brakes and automatic couplers are being introduced on freight cars, and the carrying capacity of the cars has been increased from 30,000 pounds to 50,000 and 60,000 pounds.

The company owns 67 acres of land at Kenton Heights and 2 1-3 acres at Ludlow, and the following buildings and structures erected on its own land, viz., machine shop and storehouse at Ludlow, depot at Cardiff, turntable at Burgin.

The amount paid by the company to the Cincinnati Railroad Company and the Trustees for their equipment October 12, 1881, was \$1,865,773 88; the cost of additional equipment has been \$1,161,539 21. Total amount of capital invested is \$3,027,313 09.

AMPLE PROTECTION FOR THE CITY.

As this property stands as a security for the faithful performance of the conditions of the lease, the city's interests are better protected now than they were at the beginning of the lease.

In closing this report it is proper that I should call your attention to the figures given by the President o

the operating company in his last annual report in reviewing the operations of the road from the beginning of the lease to June 30, 1894.

The figures for this period of 18 years and 8½ months, which fairly represents an average condition of trade, but embraces the years of the lowest rental, are: Gross receipts, \$43,635,363 28; operating expenses and taxes, \$29,941,044 49; net receipts, \$13,694,318 79. Cash rental, \$11,370,430 03; cost of betterments, \$2,204,477 07; total amount paid by the lessees, \$13,574,907 10; balance, \$119,411 69.

Practically the entire net earnings of the company has been paid to the city in rental and betterments.

That the property should be found in good condition under circumstances so onerous is a fact very creditable to the company and very fortunate for the city. Respectfully,

G. BOUSCAREN.

May 25, 1895.

From the Commercial Gazette, December 4, 1895.

THE EFFECT UPON CINCINNATI.

Up to the time of the building of the Southern Railroad, Cincinnati was not a railroad center. It was a sort of a side station. The great Louisville and Nashville Railroad had its terminus at Louisville. The Ohio and Mississippi was here because it could not help it. The Cincinnati, Hamilton and Dayton was a local road, as was also the Cincinnati and Indianapolis. But now all the great trunk lines have centers here, including the Erie, the New York Central, Pennsylvania, the Chesapeake and Ohio, the Hamilton and Dayton, and the Indianapolis, the Louisville and Nashville, with their vast connections. Thus we have centering here from all the points of the compass great railroads until Cincinnati has become the foremost distributing point in the Ohio Valley. What does this mean? It means in the first place that Cincinnati is the recipient of raw material from the East, the West, the North, and the

South. These contribute to our resources as a great manufacturing city.

Then we have in addition our vast waterways. These are of immense importance as affording cheap transportation and cheap fuel, and altogether the conditions are most favorable for the distribution of manufactures and merchandise. This marvelous change dates back in a large degree to the completion of the Cincinnati Southern Railroad.

There is presented by reason of these changes a great future to Cincinnati. It is prepared to receive from the South all its surplus products that may find a market in the North, and it is prepared to ship to the South all the products of this center and this section for which there may be a market in that great and growing country.

Wonderful as the changes have been in the last forty years, still more extraordinary will be those in the next twenty-five years. The foundations have been laid for great progress, and upon these enterprise and capital will build until results will be reached that even the present generation is not able by reason of its limited vision to contemplate.

We have often said that the New South is bound to be the most prosperous section of this great country. Prosperity is not the outgrowth of mere sentiment. It requires as a foundation to build upon natural and varied resources. These the Southern States possess. They have advantages in the field, in the forests, in the mines, and in the climate that no other section of this country is capable of exhibiting. Now all that remains is for population, enterprise and capital to go in and possess this new land, full as it is of promise and over-running as it is with natural resources.

The New South of which we speak is to Cincinnati the land of promise. There may be doubting Thomases among us, but these will be converted, and the future generations of merchants, manufacturers, agriculturists and capitalists who may hereafter read these lines may be only surprised that the foresight of the writer was not equal to the hindsight of those who are to be active participants in future developments.

RICHARD SMITH.

From the Commercial Gazette, June 8, 1895.
THE CINCINNATI SOUTHERN RAILROAD.

This is one of the available assets of Cincinnati; it is a big asset, too; upon it the city can count for enough money to come within \$500,000 of paying the municipal debt. If this debt should be wiped out, taxes would go down largely, and, even with the railroad debt, the burden will, within a few years, be largely diminished. When the outstanding seven-and-three-tenths, seven-per-cent., and six-per-cent. bonds shall be funded in four-per-cents, the rental will afford a surplus of \$400,000, or more. We must endure the high rates of interest a few years longer, but then it is always pleasant in darkness to be able to see light.

In view of present conditions, it is pleasant to know that the physical condition of the road is good, that the operating company has dealt fairly by the city, and has fulfilled so far the obligations of its lease.

The report of Engineer Bouscaren * on the physical condition of the road makes cheerful reading for the Cincinnati taxpayers. It shows that, of the earnings of the road, considerably over two million dollars have been used in betterments, and that now the road, as security for the lease is much better than it was when the present operating company took charge of the business.

This is quite different from the gloomy forebodings of mistaken friends of Cincinnati, who have recently advocated the sale of the road. These persons expended their literary efforts in depreciating the road, and predicted terrible results if the city should continue its ownership. All those evil foreshadowings have been set at rest by the exhaustive report of Mr. Bouscaren. His observations are valuable because they are reliable, and because they show that the lessees have greatly improved the road as to side tracks, new rails, locomotives, passenger and freight cars, tunnels, tracks, and bridges. The sufferer by the recent depression in business has not been the city but the lessees. These have been without dividends for a good long time,

while the work of improving the property has gone forward as far and as rapidly as could reasonably be expected.

Taking it altogether, the Cincinnati Southern Railroad compares favorably with most of the roads that enter this city, and is proving itself equal to an increased traffic, which is sure to come, and is already coming, from the developments of the New South.

Competent judges who keep their eye on the future know full well that the period of prosperity upon which the country is now entering will result in great developments at the South, and that from these the business men of Cincinnati will secure great advantages, and the Southern Railroad an immensely increased traffic. It is to be hoped that the new ownership of the operating company, which means the Cincinnati, Hamilton & Dayton Railroad Company, will prove as satisfactory in maintaining and extending the physical condition of the property as did that management which is now temporarily in the hands of a receiver.

One feature of Mr. Bouscaren's report can not fail to reflect seriously upon the city, and that is the want of adequate or even reasonable terminal facilities. * Here we have a great railroad and a great bridge connecting our city with the South, which is compelled to rent a passenger station and a freight depot. It has hardly room enough to turn around, and is compelled to do much of the work of making up trains on the other side of the river. There has been a seeming necessity for this economy on the part of the city. The bonded debt looks large, and it is large, and few people felt inclined to increase it by providing proper terminal facilities.

But, in the course of time, all this will be overcome, and certainly the great traffic between Cincinnati and the South will find adequate accommodations in the shape of terminal facilities.

At this time, too, looking into the immediate future, it is pleasant to observe that crop reports from the South are decidedly favorable as compared with other sections of the country. This means business, and points to the time when the South will prove to Cincinnati what the Northwest and West have proved to Chicago and St. Louis.

* See page 47.

From the Commercial Gazette, January 14, 1896.

TERMINALS

For the Southern Road Back of Lincoln Park—Plat Showing the Location of the Proposed Building—What Has Been Done Toward Fulfilling the Obligations of the City.

The City of Cincinnati having failed to provide terminal facilities for the use of the Cincinnati Southern Railway, it was necessary for the Cincinnati, New Orleans & Texas Pacific Railway Company to endeavor to supply the deficiency. This it undertook to do by acquiring ownership by perpetual lease, with privilege of purchase, of certain lands lying between McLean avenue and the west line of Lincoln Park. In order to be of use for terminal facilities, it was necessary that this land should be in one body; to accomplish this, it became necessary to obtain vacation of certain parts of certain streets which divided this tract of land.

The portions of the streets it thus became necessary to vacate were: That part of Dalton avenue between Kenner and Hopkins streets; that part of Hopkins between Dalton and McLean avenues; that part of Clark street from Dalton avenue to McLean avenue; 116 feet off the west end of Blackford street; Sedgwick street between Dalton and McLean avenues; Curran street between Hopkins and Kenner. The parts of streets and streets thus to be vacated, are represented by the diagram. None of these are built streets, except the part of Dalton avenue, and that consists only of a fill made by the owners of the abutting lots, without paving, gutters, or curbs. The larger part of this tract is a deep hole, and all the streets except that part of Dalton avenue already mentioned, exist merely on paper.

The railway company proposed to open and pave Lincoln Place in connection with the vacation project. Application was made by the C., N. O. & T. P. Railway Company in May, 1892, to the Court of Common Pleas, of this county to have said streets vacated in pursuance of Section

2655 et seq., of the Revised Statutes of Ohio. The matter was heard before Judge Howard Hollister in February, 1894, upon the important and interesting question whether it was conducive to the general interest of the city to declare such streets vacated, with a view of obtaining a convenient block of land whereon to place the terminal facilities of the Southern Railway.

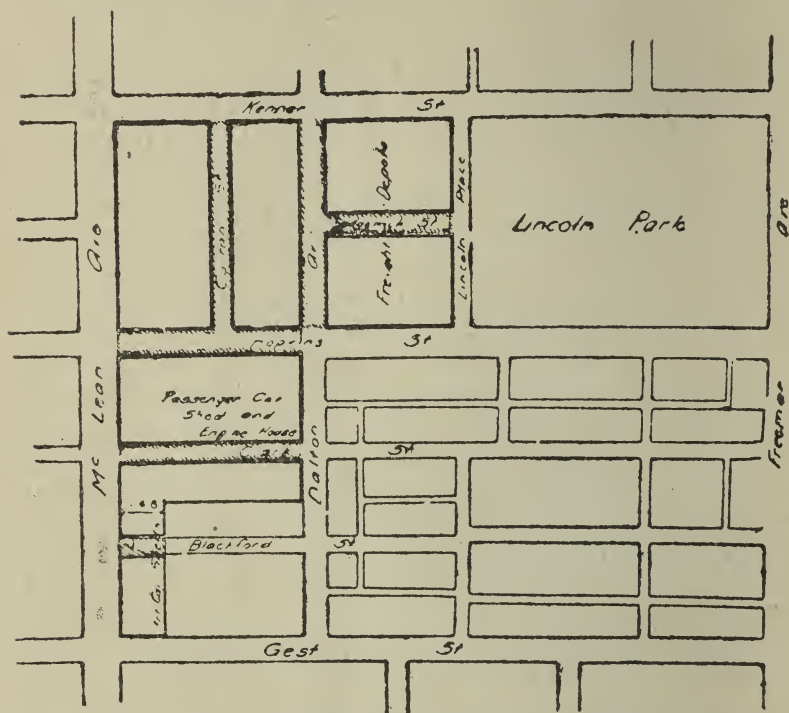


Diagram of Southern Railway Possessions East of McLean Avenue, Showing Location of Proposed Buildings.

The vacation was resisted by the Corporation Counsel of the City of Cincinnati, and a number of persons owning property in the vicinity. The hearing was a very elaborate and enlarged one, wherein the testimony of the most prominent citizens of this city was taken. The question was thoroughly gone over, and in due course the judge delivered an elaborate, and what is considered to be a very able and learned opinion, reviewing the entire subject of

the need of the Southern Railway for terminal facilities in this city, and the propriety of the selection of this tract of land for that purpose.

The most prominent objection against vacation was the fear expressed by the then Mayor of the city and some of the members of the Board of Legislation, that a vacation of these streets in favor of the lessee company, would give it an advantage that might be used at the expiration of the present lease to extort from the city favorable terms, in the case of a sale, or new lease of the road; and that a vacation of these streets should not be made until all ground for that fear was removed.

The Court in its opinion provided against the possible use of such alleged advantage by requiring that, before vacation of such streets and portions of streets took place, the lessee company should execute and deliver to the city of Cincinnati an agreement in writing that, after the expiration of the present lease of the Southern Railway, the city of Cincinnati should have the right to buy from the lessee all the land abutting on the parts of the vacated streets at the same price which the lessee company paid therefor, with 6 per cent. interest added; and also the right to buy all improvements placed thereon by said lessee company at the fair cash value of the same, to be determined by arbitration, in case the parties should not agree.

Other restrictions of less importance were placed upon the right to vacate said streets, and the interests of the city and the public was most carefully guarded and protected.

Following after the question of the vacation of these streets was another question relating to the damages that owners of property may suffer. This portion of the question had not heretofore been passed upon, and was reserved for determination of a jury. It came before the regular jury in Judge Hollister's room, Monday, January 6, and ended Friday afternoon in a verdict under direction of the Court, of "no damage" to the property holders.

There is now nothing to interfere with the company proceeding to the erection of the proposed buildings indicated in the accompanying cut, which they must do before they close the streets.

From the Post, January 27, 1896.

HOLD IT

And in Time It Will Become a Gold Mine—What Trustee Smith Says of the Southern—Best Property Owned by Any Municipality—Extracts from a Speech of M. E. Ingalls—What He Would Do if the Road Were His.

“What is your advice concerning the disposal of the Cincinnati Southern?” was the question put to Harry R. Smith by a Post reporter. “Leave it alone,” was the ready response of the veteran trustee. “It’s the best piece of property owned by any city in the country. I am not in favor of selling it, and never have been. I have some plans for future action which I think if carried out would place the matter in such a shape that it would be of great benefit to the tax-payers of Cincinnati. In 1902, when the first \$10,000,000 worth of bonds fall due, there will be to the credit of the Southern Railway in the sinking fund something like \$6,500,000. I would not use this money to pay off bonds, but would reissue the \$10,000,000 falling due at that time at the lowest possible interest, say 4 per cent. even. In 1906 and 1909, when the remainder of the bonds fall due, we would have enough money to take them up, thus leaving only the \$10,000,000 against the rental of the road. These we could take up from time to time, and eventually own the road without being in debt a cent.

“No, I don’t think the rent should be reduced, and I don’t think that if it is not, the company in control will allow the road to get into a bad physical condition. In the first place, if the rent is not paid we have a lien on the entire rolling stock of the company, and the road with its complete equipment would revert back to the city, and I believe that we could re-rent it in this shape for \$1,000,000 a year for 100 years. Now, if they pay this rental, they must keep the road up, for a road nowadays must be as good as its competitor in order to get business. I am in

favor of making a long year or perpetual lease to the highest holder when the present lease expires. Two or three years since when the two companies or parties who are now jointly controlling the road were fighting with all their might for the control, they knew as practical railroad men just what the road was doing and could do, and were both anxious to get the property."

Incidental upon the present agitation a speech made last April before the Young Men's Business Club by President Ingalls is of general and renewed interest. After giving a short history of the road he said:

"In March, 1893, the company, on petition of its officers, was put in the hands of a receiver by the United States Court at Cincinnati. This was on account of a judgment obtained against the company by parties on account of an overissue of its own stock by its Secretary, and not on account of the burden of the lease.

"The question is asked me what would I do with the Southern Railway? If I owned it I would go on collecting my rent of the present lessee so long as he can pay or so long as his property is good for it, and considering the assets of the present company are worth over \$2,000,000 at these depressed prices, considering there is a personal liability on every stockholder, and considering the further fact that the loss in the two worst years ever known in railways has been less than \$200,000 a year, I should not consider that I had a bad lease. I would, however, in this case, advise that the city procure legislation authorizing the trustees of this railway, with the approval of the Sinking Fund Commissioners, to make such modifications as they thought in the interests of the city in the present lease, and I would also authorize them to make a new lease at the expiration of the present one, for 100 years, renewable forever, upon such terms as they deemed best for the interests of Cincinnati."

In the same speech he quotes as follows from President Felton's annual report:

"The results for the past year, showing, as they do, a decrease of nearly \$600,000 of gross revenues, are certainly very disappointing, following upon large decreases in

previous years, but when the net results are considered they are much more favorable, especially when these net results have been obtained without allowing the condition of the property to depreciate.

“The business depression of the past year is probably the worst that we will be obliged to face. The history of the fiscal year from commencement to end is remarkable. Inaugurated with the severe panic of July, followed by disappointing legislation in Congress, the long-drawn-out agitation of the tariff question, supplemented by the greatest coal strike ever known, and finally closing with the most gigantic railroad strike ever inaugurated in this country, there is little wonder that the gross results have been so unsatisfactory.”

From the Commercial Gazette, January 30, 1896.

SALE OF THE SOUTHERN.

That perennial job, the sale of the Cincinnati Southern, is again being agitated. This road was built by the city, with the enthusiastic approval of its citizens, for a purpose. That purpose was to provide a trunk line railroad directly to the heart of the South; to emphasize the geographical claim of Cincinnati that it was the natural market of the South, and to prove beyond question our confidence in the future prosperity of that section. Every reason adduced in favor of the building of the road twenty years ago stands as an argument to-day against its sale.

The only forcible argument in favor of the sale of the road is the financial one, and when examined it only shows that figures can and do lie. In a nutshell, the argument is: The interest on the Southern bonds amounts to over \$1,300,000, the rental is \$1,000,000; therefore the city loses \$300,000 a year by owning the road.

But suppose the road were sold. The bonds would remain out and interest would go on just the same until they fell due. And when they fall due they can easily be refunded at a lower rate of interest. For illustration:

In 1902 \$10,000,000 of these bonds will fall due. They can be easily refunded at four per cent. or lower. At the former figure the interest charges on the Southern bonds will then be \$1,059,000 a year, against which could be counted the rental, then \$1,090,000. The rental would more than pay the interest. When the next bonds fall due, in 1906 and 1909, the road would have enough money in the hands of the Sinking Fund Trustees to take them up, leaving out \$10,000,000 at four per cent. (or, it may be lower—possibly three per cent). Then the maximum interest charge would be \$400,000 per annum, against which the city would have an annual rental of \$1,250,000 a year, or a clear profit of \$850,000 per year.

The plea for a reduction of the rental is based upon the earnings of the road—*earnings manipulated to give a semblance of justice to the plea*. Every railroad man knows, though few, if any, will admit, that the lessees of the road have never tried to build up its traffic. Only enough business has been allowed to go over it to partially pay the rental. If the lessees choose to dance to this music they should pay the fiddler themselves. There is no reason why the Queen City should pay a bonus to the men who seek to ruin her most valuable piece of property.

From the Times-Star, February 27, 1896.

A PERPETUAL LEASE.

An Open Letter to Chairman Appling on the Southern Railroad.

Hon. H. J. Appling, Chairman Committee Board of Legislation:

My Dear Sir—I regret exceedingly that I did not know of the meeting of your committee Tuesday afternoon for the purpose of discussing the question of the sale of the Southern Railroad. I should have made it my business to be present and give the views of the minority of the Sinking Fund Trustees in that matter. The resolution

was passed by a majority vote of Messrs. Dexter, Anderson and Freiberg, Mr. Hinkle and myself not being present at the time. Mr. Hinkle afterwards approved the resolution. Speaking for myself, I have always advocated a perpetual lease of the road and desire to give to your committee, in view of the statements made by Mr. Dexter, my reasons therefor. The proposition upon which all parties agree is that the railroad company having charge of the property ought to secure a perpetual interest in order that it may be in a position to make permanent improvements. It is unfair to expect a company to make permanent improvements upon a property when it has only a terminable lease. The chief thing to be secured is a perpetual interest in the city's property. This can be acquired in two ways: either by sale or by a perpetual lease. Mr. Dexter favors the sale. His plan is to sell the property for a fixed sum, say \$18,000,000, and take in pay bonds for that amount which shall be a portion of an issue of \$25,000,000 to be secured by a blanket mortgage upon the road. This is done upon the theory that the new company must have a fee simple title in order to raise money for betterments by mortgage. My idea is to give a perpetual lease to the new company at a certain rental. Without committing myself absolutely to the terms I should favor the extension of the present lease perpetually at the reduced rental of \$1,000,000 per annum. In other words, the new company should take the present lease and at its termination the rental should be reduced from one and one-quarter millions to one million per annum. At the close of the present lease the bonds will have matured and the city will be able to refund the indebtedness on a four per cent. basis. That will reduce the interest which the city will be obliged to pay upon its indebtedness to about \$750,000 and the surplus of \$250,000 out of the rental of \$1,000,000 can be put into a sinking fund to pay the original indebtedness or it can be applied to improvements for our city. In this way the benefit to be derived by the refunding and the reduction of the rate of interest will be divided between the city and the new company, which, in my opinion, is a fair arrangement. I think the city ought to get some permanent ad-

vantage and some permanent income above the interest which it pays on its railroad indebtedness. The city and the company would make an equal division of the benefits of refunding. Mr. Dexter's idea that a surplus income from the investment ought not to be tolerated because it might debauch the public morals is simply illusory and not worth considering.

Either method of disposal of the railroad gives to the company a permanent interest in the road. That is the great desideratum to be aimed at. Mr. Dexter's plan, however, depreciates our security by placing our bonds to the amount of \$18,000,000 upon the same basis as the \$7,000,000 to be expended on the road. If the proposition were made to Mr. Dexter that this city should lend its credit to the new company or should vote to issue new bonds for the benefit of the Southern Railroad, he would object most decidedly. But his proposition now practically means for the city to lend its property to secure to the new company \$7,000,000 in bonds. The value of the \$18,000,000 of bonds which we would acquire in payment of the road itself would depend on the market value of \$7,000,000 bonds to be sold for betterments. It is conceivable that the managers of a purchasing company might manipulate the earning capacity of the road so as to depreciate the value of the bonds. They might make use of the \$7,000,000 bonds in the open market to beat down the value of the \$18,000,000 bonds in our treasury. They might bring about a sale of those bonds at fifty cents on the dollar. The city is helpless because she can not protect herself in Wall street. Mr. Dexter places more reliance on Wall street magnates to uphold the value of our property than upon the people of our own city. I take no stock whatever in Mr. Dexter's dark forebodings as to manipulations which would be made to secure a change in a perpetual lease. I think our own citizens and our own city officials would be more jealous in the care of the great Southern Railroad property than would Eastern capitalists in protecting the value of \$18,000,000 of bonds which would be held in our sinking fund treasury.

Mr. Dexter thinks that a leasehold does not offer a sufficient basis of credit upon which the operators can borrow enough money to improve the road. My view is that if railroads intend to act fairly with the city in the transaction, it will be just as easy for them to raise money to improve a permanent leasehold as to improve the fee simple. It is absurd to suppose that the C. H. & D. Railway Company, with \$16,000,000 of capital, and the Southern Railway Company, with \$170,000,000 of capital, can not secure either cash or credit sufficient to make the necessary permanent improvements upon our Southern Railway in case they held a perpetual lease. I view with suspicion any railroad company approaching the city of Cincinnati with the proposition that it can not raise sufficient money upon a perpetual leasehold, but can upon a fee simple title.

Mr. Dexter talks about the credit of our city. In my opinion just such statements as he is making before your committee do more injury to the credit of Cincinnati than any other one fact of which I am aware. He is systematically bearing our city's credit, and his statements are given weight because he is president of the Sinking Fund Board. Our Southern Railroad has paid its rent up to the present time. We should have the benefit of that actual condition of affairs, and Mr. Dexter has no right to prognosticate evil to the damage of our city's credit.

Over and above all this discussion the question is whether your honorable committee should follow the advice of men who have systematically opposed the Southern Railroad from its inception to the present time, or whether it should follow the advice of men who have been its friends from the beginning and who believe that the city has a splendid property which will in time be a source of revenue and make our city the richest in the country. Mr. Dexter talks about the law in some of the Eastern states which prevents trust companies from investing in our bonds. That will take care of itself when our own people cease to criticise our own property and bend every effort to the upholding of our own credit. Yours very truly,

Charles P. Taft.

From the Commercial Gazette, April 1, 1896.

DECRYING OUR OWN.

We read with a good deal of surprise the views of many people regarding the Southern Railroad. We can hardly believe they are correctly reported. Or, if they are correctly reported, it seems to us they speak without due consideration.

When a man has something to sell, he does not depreciate the value of his property. He exhibits it, if it be a horse, in the most favorable way ; or, if it be a house, he shows its conveniences, its outlook, its good neighborhood. Everything he can do to enhance in the eyes of the purchaser the value of that which he has to sell, he does. Why should any other course be pursued with reference to the great railroad which the city owns?

It is a great property. It cost a great deal, and it would cost a great deal to build another like it. Its route was carefully surveyed, and routes across mountains are not easy to find. It runs between the largest city in the Ohio Valley and the gateway of the South. Its possession would be valuable to more than one great system. The city that owns it is a strong one and a sound one. It does not have to sell. The rental is now nearly sufficient to pay the interest on the bonds. Indeed, if there be taken into account the interest which is paid on the bonds held by the sinking fund trustees, the difference between interest and rental is only about \$50,000.

If men wanted to play into the hands of buyers, they would not talk differently than some are talking to-day. We think that the question whether the road should be sold or not depends entirely on the price that is offered. And we think further that unless a price is named that is fair to the city, there is not the slightest chance that the voters of the city will vote to sell it.

Men who are doing figuring to-day should calculate how much they can pay, not how little.

From the Cincinnati Enquirer, April 1, 1896.

PLAN BY WHICH THE SOUTHERN CAN BE RETAINED BY THE CITY WITH PROFIT.

Business Men Declare the Proffered Advice to Sell
Is Given Contrary to the Best Interests of
The Citizens, and Set Forth Reasons.

Here is a plan for the disposition of the Southern Road problem that is drawn upon an entirely new pattern. It was evolved by a business man and presented at a meeting of business men held for an entirely different purpose than the discussion of the Cincinnati Southern. It was taken kindly to by the men present when it was discussed, by one of whom the details were elaborated and drawn up in the form in which the scheme is herewith set forth.

"The plan is not an elaborate one," said the Enquirer's informant. "To my mind it simply provides a business-like way of treating the problem. At the present time the city's debt on account of the Cincinnati Southern is placed at \$18,616,000. These figures you can get from the report of the Sinking Fund, as well as all others that are used. Now, the Sinking Fund has been collecting annually by taxation about \$90,000 toward the payment of this debt, and it is well understood that these collections invested and reinvested amount to about \$4,000,000. This in itself leaves the actual liability of the city on account of the road at \$14,616,000. That is an object lesson in itself, and shows that the citizens have been led to look upon their Southern road debt as \$4,000,000 more than it really is."

"Again, in referring to the interest on the Cincinnati Southern debt, its annual sum is given as \$1,272,584. To apply on the payment of this annual interest there accrues from the rental of the road \$1,000,000, and from profit on bond exchanges \$21,507, or a total of \$1,021,507. This leaves a balance to be raised by taxation of \$251,077. To pay this the Sinking Fund has added to the duplicate for 1895 a tax of 1.445 mills, estimated to raise \$266,900.

Now, why not credit 5 per cent on the \$4,000,000 already collected toward paying off the debt of the road and invested by the Sinking Fund? This makes \$200,000 earned on money that is properly Southern Road money, and taking it from the annual balance to be paid out, leaves \$51,077. Doesn't this look like the annual cost of the road to the citizens had been magnified many times? Then again, why not apply the \$92,000 raised annually by the half mill entry on the duplicate toward paying this amount, and carry the remainder to the Sinking Fund, thus relieving the duplicate of 1.445 mills, and thereby reducing the current taxes? From this it will appear that the Cincinnati Southern is practically carrying its interest account, is self sustaining, and need no longer be a source of expense to the city.

"Now, here is another thing. In 1902 there will mature \$10,000,000 of bonds bearing interest at 7.3 per cent, making an annual amount of \$730,000. Refund these bonds at four per cent and the annual total interest will be \$400,000, or a saving to the city of \$330,000. At the time of the maturity of the 7.3 per cent bonds the rental of the road will be, under the terms of the present lease, \$1,250,000. The interest account will then be \$1,000,000. From this take the \$330,000 and you have \$760,000 with an income of \$1,250,000, yielding to the city a surplus of \$490,000. If this annual amount should be put in the sinking fund it would in less than twenty years wipe out the debt and leave the city to apply all the income of the road to the payment of other debts.

"I understand that there is a scheme on foot to submit to the people a proposition presumably from the present lessees of the road, as follows:

"1. To fix the annual rental for the unexpired term of the lease, or eleven years, at \$1,000,000 per year.

"2. To fix the annual rental after the expiration at \$720,000 per annum and ten per cent of the gross earnings in excess of \$4,000,000.

"3. The present lessees to create a sinking fund which will in sixty years wipe out the city's debt, and thereby acquire a fee simple title to the property, paying thereafter

to the city ten per cent on the gross earnings in excess of \$4,000,000.

"4. The present lessees to deposit \$1,000,000 in Government bonds as security for performance of the contract.

"This proposition involves:

"1. A donation during the next eleven years to the present lessees of \$1,700,000, being \$90,000 for five years and \$250,000 for the last five years of the lease.

"2. A reduction in rental to the present lessees during the next sixty years, at \$530,000 per year, of \$31,800,000 to enable them at that time to cancel the city's debt on account of the road. This debt, as has been shown, is about \$14,000,000, and this would mean a net donation of \$17,800,000, or nearly the original cost of the road.

"This," said the merchant, "is practically the proposition upon which it is proposed to ask a popular vote under the flimsy guise of a proposal to sell the road. Much has been said and written lately to disgust the people with the Southern Road, and to beget a disposition to sell it at any price. Why are these citizens so anxious to make the present lessees such a donation? Who are the present lessees? The road is in the hands of a receiver who, under the direction of the United States Court, is operating the road and paying the city the rental. The present lessees, names unknown, are standing aside and looking on, no doubt hungry for dividends, but who they are is something no fellow seems able to find out. What is the hurry about selling the property? Why not let the United States Court alone and see how it will come out? There is one point in which all Cincinnatians are agreed, and that is that as long as Judge Taft has his eye on the gun there will be no monkeying with the city's interests, and all talk of malfeasance by the receiver is the merest twaddle, circulated for the sole purpose of begetting distrust in the public mind to induce people to vote to sell or give the road away."

From the Times-Star, April 17, 1896.

TO SELL THE SOUTHERN.

The Sinking Fund Trustees at their special meeting Thursday afternoon, decided to meet next Monday and take action on the receiving of a bid for the Southern Railroad. Corporation Counsel Hertenstein stated that the trustees are not bound by law to advertise for bids, but he thought as a matter of policy advertisement should be made, as the public would be better satisfied. However, advertising does not preclude the board from a private negotiation. Should the road be sold possession can not be given till October 12, 1906. President Dexter said that advertising would be a useless expense, as there will be but one bid. Should general advertising be decided upon European papers may get a Cincinnati contract.

From the Commercial Gazette, April 19, 1896.

THE SOUTHERN'S COST.

An assertion should be capable of being verified by proof or per contra disproved in the same manner.

Mr. Dexter, at a late meeting of the Sinking Fund Trustees, as reported by the daily papers, said:

"The road (meaning the Cincinnati Southern Railway) could to-day be built for much less than it originally cost the city. That cost was \$18,000,000. It could be built for about \$15,000,000."

Mr. Dexter, not being a railroad man or civil engineer, must have obtained his information from some one, and so made such statement without his own knowledge of the facts.

The topography of the country through which the line of the Cincinnati Southern Railway passes is exceedingly rough, probably more so than most of the railroads built in the United States; necessitating many tunnels (twenty-

six), a large number of long and expensive bridges and viaducts, with deep cuts, mostly through solid rock and heavy embankments.

In his work on American railways, Mr. E. Lavoine, Chief Engineer of the "Ponts et Chaussées" and Commissioner from the Minister of Public Works in France, at the Centennial Exposition in Philadelphia, speaking of the Cincinnati Southern Railway, says: "This road approaches nearer to European roads in its construction than other railways as generally built in America; its great importance led its engineer to introduce at considerable cost improvements which were only realized on older lines after the developments of the traffic, when competition forced their adoption as a means to arrive at more economical operations."

The Cincinnati Southern Railway, 336 miles long, cost per mile \$53,572.

The Allegheny Valley Railway, 259 miles, cost per mile about \$84,000.

The Chicago and Grand Trunk Railway, 326 miles, cost per mile about \$60,000.

The Columbus, Hocking Valley and Toledo Railway, 329 miles, cost per mile about \$52,000.

The C., H. and D. Railway cost per mile, single track, \$81,488.

These five roads had none of the physical difficulties to contend with, that confronted the Cincinnati Southern Railway—no tunnels or expensive bridges, being through a comparatively flat country.

The only items now much cheaper than when the Cincinnati Southern Railway was constructed are metals—that is, rails, bridges and viaducts.

But the increased weight of steel used in the bridges and viaducts, to support, with safety, the largely increased weight of the rolling stock of to-day will fully offset the lower price per pound of the metal.

Steel rails will cost to-day per mile laid in track, including joints, spikes, switches and surfacing, about \$5,500. They cost the Cincinnati Southern Railway, as per contract with R. G. Huston & Co., \$6,022 95. But this saving of

a little over \$500 per mile, will be more than offset by the increased cost of right of way.

Detailed prices of substructure paid for the construction of the Cincinnati Southern Railway were as follows:

*Earth excavation, per cubic yard, 15c.; loose rock excavation per cubic yard, 45c.; solid rock per cubic yard, 78c.; tunnel excavation per cubic yard, \$2 85; first-class masonry per cubic yard, \$10 50; second-class masonry per cubic yard, \$7 50; first-class arch masonry per cubic yard, \$11; second-class arch masonry per cubic yard, \$8 50; box culvert masonry per cubic yard, \$4. These prices are no lower to-day.

CIVIL ENGINEER.

From the Enquirer, April 19, 1896.

DISCUSSION

On the Sale of the Southern by the Sinking Fund Trustees.

The Sinking Fund Trustees met yesterday afternoon to discuss the feasibility of advertising for bids for the sale of the Southern without coming to a definite conclusion. Mr. Dexter, after being fully advised by Corporation Counsel Hertenstein in reference to the law upon the subject, expressed his opinion that to advertise would simply result in expense without accomplishing anything. In his opinion no purchaser would be found for the road on which a ten-year lease still rested except those who were now in control. Mr. Dexter argued that the road having cost but \$18,000,000, and the city receiving \$1,000,000 per year rental, was all that could be expected. In this the rest of the members coincided, and the matter was laid over for another meeting, which will be held next Monday afternoon.

From the Commercial Gazette, April 19, 1896.

MR. EMERY'S LETTER. *

The timely letter from Mr. Thomas Emery on the sale of the Southern Railroad, published in yesterday's paper, attracted, as it deserved, wide attention. There are not many men in this city whose views are entitled to as much respect on this question as are those of Mr. Emery. He is one of the heaviest tax-payers of the city. His property is largely in real estate. He can not escape the tax-gatherer if he would. More than most people, therefore, he is directly interested in the Southern Railroad, for on its success or lack of success depends a larger or smaller amount of contributions by him to the City Treasurer.

He speaks from the standpoint of a capitalist and landlord, and the substance of what he says is: "This is not a good time to sell the property; the worst is past; hold the road; make no change in the terms of the lease."

We see the Sinking Fund Trustees are considering the terms of advertisement, and so on; also, whether there will be one bid or many.

Well, Mr. Emery's letter from far-off Sahara, comes in the nick of time. It serves notice on possible bidders that there are men in the city with great interests to protect, who are not disposed to see this property sold for a song. It will do no good to make a bid which will meet the opposition of those who look with sanguine eyes on the future of the road under city control, and of those who are able and willing to look out for their own interests rather than see the road sacrificed.

We have no private word from Mr. Emery. We published his letter as it was sent. We do not desire to put any interpretation on it. Let it stand as it came and was printed. It will be of great service if it has the effect to open the eyes of bidders to the view conservative and responsible men in the city take of the property and its value.

From the Commercial Gazette, April 18, 1896.

A VOICE FROM THE DESERT

To the Southern Railroad and Its Trustees.

To the Editor of the Commercial Gazette:

Biskra, Desert of Sahara, March 24.—There appears to be a desire on the part of the owners of certain railroads to acquire the Southern Road. There is also a freely expressed opinion on the part of some good citizens that it is desirable that the city should get rid of the property at the first opportunity.

The policy of the city's constructing the road was very questionable. The road is built, however. The heavy burden of taxation is almost over. The lease has many years yet to run. The rent is being paid, with no great prospect of default, now that business is improving. Why, then, sell the road now? There is a time to buy, and a time to sell property. Does any one think that this is a proper time to dispose of a railroad, when a large proportion of the lines is in the hands of receivers, and when over 10,000 miles of road have lately been organized in the most drastic way?

Capitalists are most thoroughly disgusted, not only with the treatment they have received in the various reorganizations, but with hostile State legislation, by which a fair remuneration for services rendered is denied the roads.

With this plain statement of facts, no good business man will say that the present is a good time to sell the property. The worst is past. Hold the road. Make no change in the terms of the lease. Every landlord knows that all changes desired by the tenant benefits the lessee at the expense of the lessor. The termination of the lease is the proper time to consider changes.

At the end of the present lease the city will most likely be in possession of a piece of property which, in addition to paying the interest on its liens, will pour annually into the city treasury a sum that will astonish the gentlemen who now wish to sell.

It is to be regretted that politics seem to influence the Judges in the appointment of the Trustees. What is wanted is faithfulness to the city's interests, and ability. Men of large capacity are scarce. The position should not be given to old men, needing the salary, but not gifted with the necessary firmness and ability. Nor should it be awarded to very young men without experience. To compete with the able railroad men who stand ready to seize the property, first-class talent is required.

THOMAS J. EMERY.

The Cincinnati Enquirer, June 5, 1896.

WHAT THE CINCINNATI SOUTHERN WILL DO.

The Railway Age, in its last issue, says the State of Illinois is fortunate in having a railway which not only pays in taxes almost the whole ordinary expense of the state government, but is willing to advance money before it is due to help the Commonwealth out of a tight place.

The Illinois Central Railroad Company has, for the second time this year, come to the rescue of the state treasury, and enabled it to resume the payment of its warrants by advancing \$300,000 on account of taxes that would be due from the company this month.

Under the provision of its charter, by which the company pays the state 7 per cent on the gross earnings of the 705 miles of original road, the company has contributed to the state treasury over \$15,000,000. The Central, under the agreement, now pays to the State of Illinois over \$700,000 annually.

The Cincinnati Southern ought very soon to be paying a handsome sum into the treasury of the city of Cincinnati. With the rental for the property increased \$90,000, beginning next October, and with the seven and three-tenth per cent bonds that fall due in 1902 refunded into even four per cents, the city will have a clear annual net income of over \$200,000 from the Cincinnati Southern over all

interest charges, even with the sinking fund collecting interest on Southern Railroad bonds that have been bought up with the people's money and should be retired. Even after providing \$90,000 annually for sinking fund purposes, the city will be more than \$100,000 to the good each year.

The Cincinnati Enquirer, June 14, 1896.

ACCEPTED.

The Southern Bid, by the Board of Sinking Fund Trustees—The People Will Cast the Deciding Vote—Terms of the Proposition, and What They Mean.

The Sinking Fund Trustees, at a meeting held yesterday morning, approved the bid submitted to them for the purchase of the Cincinnati Southern Road by the Southern Railway and the Cincinnati, Hamilton and Dayton interest. The bid, as submitted, is signed by First Vice-President Andrews, of the Southern Railway Company, and Henry A. Taylor, the largest individual stockholder of the Cincinnati, Hamilton and Dayton Road. As the gentlemen state, if they get the property, they expect to turn it over to a new company that is to be organized, there is little doubt but, if the property is sold, the Southern Railroad will turn up as the final and sole owner of it.

THE BID.

To the Trustees of the Sinking Fund of the City of Cincinnati: We, the undersigned, offer to buy the line of railway of the Cincinnati Southern Railway, subject to the rights of the present lessees therein, at the price and upon the terms of payment following, to-wit:

1. To pay in gold coin \$19,000,000 on the 1st day of October, 1996, at the rate of 4 per cent per annum, pay-

ble semi-annually ; such payment to be secured to the satisfaction of your board by a first mortgage lien upon the aid line of railway and upon the equipment of the Cincinnati, New Orleans and Texas Pacific Railway Company; the mortgage to provide that the principal shall become due and payable in case, at any time, the interest shall remain unpaid for 90 days.

2. To pay in cash \$1,440,000 in quarter-yearly installments of \$60,000 each, beginning October 1, 1896.

3. To pay in cash a sum equal to 10 per cent of the annual gross earnings of said line of \$4,500,000 from and after October 1, 1902.

4. To pay the rental falling due after October 1, 1902, upon the following leaseholds, amounting to \$5,808 per annum: From Sarah B. McLean to the City of Cincinnati, recorded in Lease Book 62, page 21, and from Francis T. White's assignors to the City of Cincinnati, recorded in Lease Book 62, page 16, of the Records of Hamilton County.

We agree also—

5. That the general offices of the said line of railway shall be maintained in the city of Cincinnati.

6. To indemnify and hold the city of Cincinnati harmless against all claims of the Cincinnati, New Orleans and Texas Pacific Railroad Company for damages on account of alleged breach of any of the conditions or covenants of the present lease of the city to that company.

7. In each and every year for eight years after the delivery of the deed hereunder to expend not less than \$250,000 in betterments, including bridge renewals, upon said line of railway, to be covered by the said mortgage.

8. To secure the payment of said \$1,440,000 and the said expenditure of \$250,000 per annum for eight years for betterments by the deposit of \$2,000,000 in bonds satisfactory to your board, which bonds shall be returned to us in proportion to payments as made from time to time.

The deed shall be delivered on October 1, 1896, and the sale, whenever consummated, shall date as of that day; the rents to be payable to the city up to that day under the present lease.

This offer is made by us individually, but with the intention of transferring our interests to a corporation to be organized under the laws of one or more of the states of Ohio, Kentucky and Tennessee for the purpose of operating said line of railway, and when such corporation shall have been organized to your satisfaction, it is our intention to transfer to it all other rights under this offer or its acceptance ; whereupon our individual rights, interests and liabilities under this offer or its acceptance, and the contracts in pursuance thereof. shall vest in and rest upon the said corporation alone.

A. B. ANDREWS,

HENRY A. TAYLOR.

Cincinnati, June 13, 1896.

WHAT IT MEANS.

The proposition made to the Sinking Fund Trustees, and which the tax-payers will be asked to either accept or reject by their votes at a special election to be ordered by Mayor Caldwell, is, in a nutshell, as follows: The purchasers propose to issue \$19,000,000 of 4 per cent. gold bonds, dated October 1, next, and payable in 100 years. These bonds are to be turned over to the Sinking Fund Trustees, and are to be secured by a mortgage on the city's property, the Cincinnati Southern Road.

This mortgage will, of course, be a second mortgage, and will necessarily remain such until after the original \$10,000,000 of bonds, issued for Southern Railway purposes are retired, as those bonds are secured by a first mortgage on the property.

Before the \$19,000,000 of gold 4 per cents issued by the purchasers are turned over to the city a deed is to be given the purchasers for the Southern Railway, which will enable the purchasers to give the city back a second mortgage on the road, securing the issue of \$19,000,000 of bonds.

These bonds are not to be floated, but are to be held by the Sinking Fund Trustees. In a hundred years, or

when the bonds fall due, the purchasers can take up the bonds by paying the City of Cincinnati the \$19,000,000 in gold, and they will then own the railroad absolutely. In the meantime they will pay over to the Sinking Fund Commissioners every six months, dating from October 1, next, the interest on the bonds, being in amount \$380,000, or \$760,000 annually.

In addition to this amount the purchasers agree to pay the city in cash every three months from October 1 next until October 1, 1902, \$60,000, or a total sum of \$1,440,000 in the six years. Under the terms of the present lease the rental the lessee company would have to pay for the five years dating from October 1 next, would be \$1,090,000 a year, or, for the five years, \$5,450,000

Under the offer of purchase made they would pay the interest on the \$19,000,000 of bonds, amounting to \$760,000 annually, or \$3,800,000 for the five years ending October 1, 1901, and besides \$240,000 in cash annually, or, \$1,200,000 for the five years ending October 1, 1901, making, in all, a total of \$5,000,000 to be paid by the purchasers to the city for the use of the property from October 1, next until October 1, 1901, whereas, under the present lease, they would have to pay, for the same term of years, \$5,450,000.

Thus, it can readily be seen that the profit accruing to the present lessee company under the purchase act from October 1, next, up to October 1, 1901, will be \$450,000.

For the next term of five years, which is the last five years of the twenty-five-year lease made with the present lessee company by the city, the rents under the agreement would be \$1,250,000 a year, or a total of \$6,250,000 for the five years ending October 1, 1906, upon which date the present lease expires. Under the purchase agreement the purchaser would pay annually for this last term of five years \$760,000 a year, or a total of \$3,800,000, to which is to be added the \$240,000, which, under the agreement, is to be paid during the year ending October 1, 1902.

Thus, for the last five years of the present lease the city would receive from the purchasers \$4,040,000; and, under the terms of the present lease, they would have re-

ceived \$6,250,000; or, in other words, the purchaser would save, during the last five years of the lease, \$2,210,000.

The total saving effected from October 1, next, up to October 1, 1906 by virtue of the new agreement would be to the purchasers \$2,660,000 for the ten years the present lease has yet to run.

The deal, if carried through, will require the purchasers to pay for the property, for the six years from October 1, next, annually \$1,000,000, and for the 94 years remaining of the term, or, until the purchasers can fully exercise the privileges of purchase, \$760,000 a year, with the addition of the payment of \$5,808 a year from 1902 on leasehold of property used for terminal facilities, which they agree to assume.

From the Cincinnati Volksblatt, Monday, June 15, 1896.

After looking through the offer to the Sinking Fund Trustees in regard to the Southern road, as contained in our Sunday paper, the reader was perhaps surprised that only one offer was brought to the public notice. The reason for this was that only one offer was received, and that the competition was not greater is easily explained. The present time is the worst imaginable for the sale of railroads. At present, when over half of the railroads of the country are bankrupt, there is naturally no inclination to invest money in such enterprises. The conclusion is consequently justified that if we wait with the sale of the Southern road until business picks up, until there is generally an inclination to seek such investments for capital, we can obtain better terms than the present one, upon which the people of Cincinnati will have to vote. There is no need for any great haste, as the city is better off under the present contract than under the new one, and the road only increases in value with time.

Mr. Emery, one of the largest property owners and taxpayers of the city, expresses his reasons against the sale of the road under the present offer, in the Enquirer

about as follows: The company which desires to buy the road does not bid as much as the city is now receiving and he does not see why the city should give up a good contract, such as it now has, to accept a worse one in place of it. After 1902, the city would receive under the present contract a rent of one and a quarter million dollars, while the bidders want to give only \$760,000. True, they offer to pay also 10 per cent. of the gross earnings above \$4,500,000, but Mr. Emery thinks that this is somewhat doubtful. No one can know what the gross earnings will amount to more than the above-mentioned sum, and in that case the city would receive nothing but the rent of \$760,000. Until 1902 the city would receive less for rent than it now receives, and he is unable to see that this would be advantageous to the citizens. The promise to indemnify the city against the claims for damages which the Southern Railroad company demands for not furnishing terminal facilities is perfectly worthless, inasmuch as this matter has already been decided in favor of the city. The promise to expend yearly \$250,000 in the improvement of the road is likewise no inducement, as any owner of the road would expend an equal amount for improving it. Besides, Mr. Emery thinks it is objectionable that the road should be transferred to a corporation chartered under the laws of Kentucky, which exempt the stockholders from personal liability.

These are some of the objections to the proposed sale. In the next few days we shall embrace the opportunity to speak farther in regard to the pro and con of this project.

Cincinnati Enquirer, June 29th, 1896.

· SALE.

Of The Southern Road—The Pending Proposition Discussed by Mr. Thomas J. Emery—Mr. Emery's Argument.

The argument made by Mr. Emery opposing the acceptance of the proposition is as follows:

About 15 years of the lease for 25 years of the Southern Road have expired. During all this time the city has received the agreed rent, which was not, however, sufficient to meet the interest on the bonds given for the construction of the road. The deficit that has annually occurred has been met by excessive taxation. Next October will commence the third period of five years, when the lease will call for \$1,090,000 a year. From this date the load will be easy. Five years afterward the last period of five years will commence, during which time the lessees will pay \$1,250,000. a year, a sum more than sufficient to pay the interest on the bonds, in view of their diminution by reason of the operations of the sinking fund.

The building of the Southern Road by the city of Cincinnati has been the pet project by many of her citizens. It has been said that its income would be so great as to cover the interest on all the city bonds issued for all purposes, and that taxation which has been so crushing to her citizens the past 15 years, would be so lessened at the end of the lease as to insure a large increase of population.

An act of the Ohio Legislature of March 6, 1889, authorized the Trustees of the road with the approval of a majority of the Trustees of the Sinking fund to extend the lease, it would appear at a rental of not less than \$1,250,000 per annum from the termination of the present lease, October 12, 1906, provided such extension should be made within three years from the passage of the act. This matter was brought up before the Chamber of Commerce and fully discussed. One million two hundred and fifty thousand dollars was fixed by said Chamber as a proper sum for the extension of the lease.

A few years ago a bill empowering the Sinking Fund Trustees to sell the road was pushed through the Ohio Legislature without debate. Its passage was known to but few people. To the astonishment of all good citizens the daily papers have lately informed the public that the sinking fund Trustees have, acting under this authority, disposed of the road from which so much was expected. One would suppose that in a transaction of such importance leading citizens would have been consulted; certainly that the Trustees of the Southern Road would have knowledge of the deal.

HASTE IN THE COURTS.

The undue haste in which the Courts of Hamilton County have been appealed to in a friendly suit to test the validity of the deal, and the powerful influence that has induced the Supreme Court at Columbus to give an immediate hearing to a case not opposed by any real opponents of the deal, have justly caused good people to wonder and to think. Fortunately the Legislature did not give to our worthy Trustees the power to bind us hand and foot without protest. The deal must be ratified by the citizens, and it is to the citizens that this explanatory paper must appeal. The ordinary trader can hardly understand the terms of this transaction. The figures amounting to millions are not comprehended by every one. It will be the writer's endeavor to explain the terms so that everybody will understand.

The present cost of the Southern Road, adding the interest paid on the bonds and deducting the rent received, up to December, 1895, is \$30,125,137, official figures of nineteenth report of the Board of Sinking Fund. The deal, if consummated, dates from October next. The calculation therefore will be from that date. Stripped of all tinsel, the terms are as follows:

Lessees are to pay for five years, commencing	
October, 1896, \$1,090,000 a year, or.....	\$ 5,450,000
For the last term of five years \$1 250,000,	
or	6,250,000

In the ten years of lease.....	\$11,700,000
The new deal propose five years at \$1,000,000	
or	\$5,000,000
Five years at \$760,000	3,800,000—\$8,800,000

Loss by accepting the offer.....	\$2,900,000
----------------------------------	-------------

Thereafter simply \$760,000 a year, with 10 per cent on gross income over \$4,500,000. This large deficiency must be made good by increased taxation. How can real estate, with its low rents and empty houses, stand any increased burden? Many persons wishing to escape, are trying to sell their property, but there are few, if any buyers. If this sacrifice were to be followed by large profits, as were hoped for, the loss might be borne for the good that is to come, but when we are confronted with a reduction of rent from \$1,250,000 to \$700,000 for generations to come we are astounded and dismayed.

For this costly and valuable road we are offered \$19,000,000, payable in 100 years. It is stated that the real purchasers are the present lessees.

The gentlemen who have conducted this deal are as able men as New York produces. Mr. Spencer, President of the Southern Railway, lately read a paper before the Commercial Club advocating this deal. Not satisfied with this, the paper has been reproduced in the Times.

Saved from the stipulated dues of the city is the enormous sum of \$2,900,000. Then commences the rental of \$760,000. This sum, \$2,900,000, placed at interest for one hundred years at three per cent, with interest added yearly, amounts to \$52,200,000. If the calculation be made at 4 per cent, the rate the city now pays, it will amount to \$139,200,000. This is the city's money, and from it it is proposed to pay the paltry sum of \$19,000,000. Thus it appears that with part of the money made by reduction of rent for the ten years still remaining the able financiers propose to pay for the road.

WHAT WILL THE CITY GET ?

When Esau sold his birthright for a mess of pottage he received something, but when the present generation of the city of Cincinnati shall sell their inheritance for \$19,000,-000 in one hundred years they will receive absolutely nothing. Is this the deal that the citizens are asked hurriedly to sanction?

In justification of this ridiculous trade one of our reputable Trustees has stated that if this proposition be not accepted the road will default on her rent next fall. What of that? It is not a case in which a tenant has possession of the property and refuses to vacate and will not pay rent. The road is in the hands of a receiver, acting under the orders of the court. The city is sure to receive the net returns. Below is an official statement of the net and gross earnings for 14 years:

Year ending December 31—

	Gross Earnings.	Expenses.	Net Earnings.
1882.....	\$2,570,057 08	\$1,653,004 18	\$ 917,052 90
1883.....	2,596,191 23	1,800,168 03	796,023 20
1884.....	2,658,184 58	1,836,974 43	821,210 15
1885.....	2,681,546 88	1,710,535 40	971,011 48
1886.....	2,882,171 76	1,833,579 40	1,048,592 36
1887.....	3,377,551 86	2,116,786 35	1,260,765 51
1888.....	3,624,490 13	2,500,195 18	1,124,294 95
1889.....	3,655,859 10	2,510,602 59	1,145,256 51
1890.....	4,309,144 15	2,728,181 49	1,580,962 65
1891.....	4,379,142 64	3,024,502 42	1,354,640 22
1892.....	4,337,497 56	3,199,809 61	1,137,687 95
1893	4,174,969 71	3,176,254 55	998,715 16
1894.....	3,576,979 47	2,665,215 35	911,764 12
1895.....	3,487,941 65	2,511,174 68	976,766 97

It will be seen that the average net earnings have been for fourteen years \$1,074,624.58.

Is it not reasonable to suppose that with the road in good condition, the tunnels mostly arched, with abundance of rolling stock, the road will earn more the next fourteen years than it did during the past like period? If the lease be thrown up the city will have the rolling stock and the betterments for its security, with a good assurance of a larger net profit than during the lease. It will be seen that the gross earnings have averaged \$3,450,837, and that the greatest year was 1891, \$4,379,142.64. Thus the ten per cent on the surplus over \$4,500,000 of the gross earnings, which the lessees offer as a sort of make-weight, is not likely during the present generation to amount to anything.

THOMAS J. EMERY.

From the Cincinnati Enquirer, May 4, 1896.

ON TOP IS THE CITY'S RAILROAD.

The Rental Provides For Interest Charges.

It seems strange that of all the business men, railroad men and financiers who have addressed the various commercial and other bodies here on the subject of the Cincinnati Southern Railroad, none of them have told the people in what a very admirable position the city is, so far as that property is concerned. It remains for the Enquirer to announce to the railroad fraternity and the taxpayers of Cincinnati in particular, that the rental received from the property at the present time lacks but \$38,127 of being enough to pay the interest on the Cincinnati Southern bonds outstanding. Next October the rental the city receives increases \$90,000 per annum, and then for the first time since the road was built the city will have a surplus from the property. The article in another column of to-day's Enquirer explains fully all particulars about the city's debt on account of the Southern Road, and shows conclusively that it is not necessary to longer tax the people to raise money to pay the interest on the Southern bonds. Within the next six years over \$7,000,000 in bonds drawing 7.3 per cent interest fall due, and can be refunded into four per cents before that time. From that time on it will not be necessary to even tax the people for a sinking fund to provide money with which to retire the bonds, as with the refunding of this batch of bonds alone the annual interest charges on Southern Railroad bonds will have decreased in the neighborhood of \$250,000, and the property will earn its own sinking fund. The citizens have paid up their tax assessments, aggregating now nearly \$12,000,000, without a murmur, but the time of their reward is at hand. Said a well-known gentleman to the Enquirer representative a few days ago: "There is no reason why the present generation should pay off the debt incurred by the city in building and holding the Southern Road, and leave it to the coming generation perfectly clear of all incumbrances." He added: "That property will clear itself of debt when bonds drawing a reasonable rate of interest replace the present high rate bonds, and the property is given a chance."

From the Commercial Tribune, June 27, 1896.

THE SOUTHERN ROAD.

To Sell or Not to Sell's the Question—Mr. E. C. Goshorn, of the Manufacturer's Club, Gives an Opinion.

The contemplated sale of the Cincinnati Southern Railway is beginning to interest the business men of the city more than it has during the negotiations. The bid and the lease are undergoing examination, and there is quite a diversity of opinion as to whether the road should be sold. Friday a Commercial Tribune reporter had an interesting talk with Mr. E. C. Goshorn, President of the National Lead Company and member of the Manufacturers' Club. He said :

“The question of selling the Southern Road, pro and con, is ably dealt with in your columns Wednesday and Friday. The importance of the question is not overstated. In vitality to Cincinnati tax-payers it overshadows all other issues, and it should be dealt with most carefully upon the fullest information as to facts

“In summing up the matter the Commercial Tribune seems to accord to the insolvency of the present lessee company the position of a controlling circumstance, and seems to regard it as about the only reason for considering the bid now before the public. The statement of the facts in your debit and credit column does not seem to leave any other reason. Hence the validity of this reason is a very proper subject to dwell upon.

It is generally, and I presume correctly, understood that the present leasing company, the bidders for the road, and the corporation to which the bidders propose to turn over the property represent the same individuals and corporations. Hence, insolvency of her tenant and a menaced default in payment of rent is urged as a reason why the city should continue that tenant in permanent occupancy of the property at diminished rental, without additional security.”

“Why?”

"Because the Court, which now supervises the operations of the tenant and protects the city's equities may grow weary of that function. Does not this suggestion impute to the Court the attributes of caprice or everyday human weakness, to which they are, by their very constitution, superior? I do not think it necessary to borrow trouble about the Courts.

"They will do what is lawful, just and equitable toward all parties, and what the Courts will do will be deliberately done in broad daylight, in the presence of all people, and there will exist, in connection with the Court's supervision, no question of juggling with the City's rights. Now, I see no reason why the present status is any less satisfactory than the alternative offered by the leasing company, backed by a 'stand and deliver' sort of menace, which practically says to the City: 'Give us your road on our terms, or we may make it worse for you.' In the presence of a menace of this character no courageous business man would relinquish control of his property in exchange for a naked promise offered by his debtor.

"Now, let us take a more courageous view of the question. The leasing company has never defaulted. It has strained every effort to meet its obligations to the City, which are mere business obligations, secured by lien on all the property it possesses, and stimulated by the supervision of a righteous Court."

"But suppose it should default?"

"Then, instead of a Receiver selected by the company itself, the City may demand a Receiver under the supervision of the same Court, who may or may not be the same gentleman who now so ably performs the duties of that responsible position.

But, after all, it is not the Receiver so much as the Court upon which we would rely. The result of proceedings under default would practically be a very prompt elimination of the present leasing company from the situation, and the City would thereby practically be relieved from the menace of default and bankruptcy which is now paraded to disgust the people with their road, and bring them to a state of mind which will prompt them to vote it away."

“Suppose, under control of the Court, these present lessees are eliminated, and, under control of the Court, the road itself be offered for sale in the open market; is it not more than certain that a larger annual sum would be secured by open competition than has been developed by the star-chamber method of offering the road for sale, which has resulted in the present bid?

“Let us have a little courage. Let us avoid crossing bridges before we come to them, and, in the matter of disposing of the Southern road, act deliberately. The weight of opinions which have appeared in the Commercial Tribune and in other papers, emanating from practical business men, are decidedly against the validity of the present bid as an actual sale.

“The fact that the consideration received by the City will require the City’s indorsement in order to make it available to relieve the City’s credit, is, in itself, a quasi lending of the City’s credit to a corporation, which is unconstitutional and unlawful.

“I have no hesitancy in saying that the present bid should be voted down, nor, as a tax-payer, have I any hesitancy in meeting any results which may grow out of intelligent business methods.

Cincinnati Enquirer, July 1st, 1896.

OPPOSES.

The Sale of Southern—Mr. James E. Mooney Before the Optimists’ Club—Talks Pointedly on the Subject—Citizens Ask for Postponement of Election.

At the meeting of the Optimists’ Club last Saturday, Mr. James E. Mooney, among others, made reference to the proposed sale of the Cincinnati Southern. The opinions expressed by Mr. Mooney attracted no little attention, and were the subject of some favorable comment among the business men who heard them. Being interviewed on the subject last evening by a representative of the “Enquirer,” Mr. Mooney spoke of the proposition received as follows:

MR. MOONEY'S REMARKS.

"I do not approve the contract negotiated by the Sinking Fund Trustees for the sale of the Cincinnati Southern Railroad to Messrs. Taylor and Andrews. Negotiations of this nature, more than 10 years before the expiration of a satisfactory and well secured lease, on which there has been no default of any kind, are, to say the least, in my judgment, premature. These contracting parties are without legal authority to own or to operate the property, and should the contract be confirmed by the votes of the people, it simply binds the city to the option of purchase by these gentlemen, which they may or may not exercise, they first having to dispose of it to others having the requisite legal authority, making a record for the city much to its injury in future transactions should they for any cause fail of completion. These objections, or rather suggestions, aside, I disapprove of it for the reason it reduces the security for the faithful performance of the conditions of the existing lease.

AS WELL AS THE RENTAL.

And at the same time it continues the connection of the city in a more objectionable form for 100 years, with this commercial enterprise which it evidently is the intention of the law authorizing the action of the Sinking Fund Trustees, to speedily terminate.

"The Trustees have discharged a duty in responding to the demands of some taxpayers and citizens by considering and submitting to their principals the voters of the city for their approval or disapproval of the best and only bid received. It is to be regretted that it was not generally understood that bids of private parties would be considered, as there might have been others."

POSTPONEMENT.

Of Southern Railroad Sale Election Requested by Prominent Citizens.

A petition was circulated on Change and among the business men yesterday requesting the Sinking Fund Trustees to postpone arrangements for the special election for the Southern Railroad question. The petition obtained a large number of signatures, and will be still further circulated to-day, after which it will be presented to the Sinking Fund Trustees.

The petition is as follows:

"To the Board of Sinking Fund Trustees of the City of Cincinnati—Gentlemen: The undersigned, taxpayers of the City of Cincinnati, respectfully request that the advertisement of the proposition of Messrs. Andrews and Taylor for the purchase of the Cincinnati Southern Railway, be postponed until such a date in September next, so that the election to be held under the act of March 12, 1887, authorizing the sale, shall take place at some early day in the month of October.

"The undersigned base this request upon two grounds.

"1. That the election held at an earlier date, especially in August or September, will deprive a large number of those deeply interested of the privilege of voting, as they will be absent from the city during these months.

"2. Too short a time has elapsed since the decision of the Supreme Court that the road can be sold under the above named act to allow of that full, fair, impartial and intelligent discussion, and the consideration of the question of the sale upon the terms proposed which the importance of the subject requires."

Below are the names secured:

Thomas J. Emery,
Louis Seasongood,
W. A. Goodman,
James Mooney,
Early & Daniel,

John W. Herron,
James Espy,
Geo. H. Bohrer,
B. S. Cunningham,
Geo Guckenberger,

Knaul & Holt,
 J. H. Hermèsch & Co.
 C. Klein Flour and Feed Co.
 Henry W. Hamann,
 G. P. Altenberg,
 Collins & Co.
 Whitcomb & Root,
 Sol. P. Kireon,
 Chas. S. Fisher,
 J. W. Fisher & Co.
 Maguire & Co.
 Gale Brothers,
 H. Wagner,
 F. M. Huschart,
 J. V. Maescher,
 J. W. Wilshire,
 Geo. P. Ireland,
 Jerry Kiersted,
 Henry Immenhorst,
 Wm. Marmet,
 Elias Block & Sons,
 Frank J. Jones,
 L. B. Harrison,
 M. M. White,
 H. C. Yergason,

W. S. Groesbeck,
 John H. Allen,
 Adam Smyrl,
 S. R. Voorhees & Co.
 A. G. Wood & Co.
 Moore & Garner,
 Stewart, Dunholter & Co.
 Chas. H. Jacob,
 John Woesten,
 P. R. Budd,
 Stephen S. Boyle,
 Putnam, Hooker & Co.
 National Lead Co.
 Jas. Morrison & Co.
 Cincinnati Abattoir Co.
 A. Sander Packing Co.
 Wm. Maescher,
 Samuel Baily, Jr.
 Wm. McCallister,
 E. F. Fuller,
 G. H. Schatzman,
 Wm. V. Ebersole,
 John W. Harper,
 C. B. Burkham.

A copy of the petition was taken in hand by Col. John W. Harper, and the signatures secured by him among the business men amounted to 45 in the space of an hour, the Colonel being met with but two refusals. The additional names secured by him are as follows:

J. C. Hussey,
 Ormstein & Rice,
 Alex. Offner,
 J. & S. Bing,
 Jacob Scheurer,
 Heidelberg, Friedlander &
 Company.
 L. Mayer,
 Levy, Price & Co.

Sachs & Morrison,
 Isaac S. Strauss & Co.
 Charles Meis & Co.
 M. H. Marks & Co.
 Johnson Bros. Hardware Co.
 Isaac Hart & Co.
 W. S. Dickinson & Co.
 Charles N. Stix,
 Mayer & Bros.

F. Isaac,
Feder, Silberberg & Co.
Wm. Stern,
Wolfson Brothers & Co.
Mendel, Berman & Co.
G. Sturm & Sons,
Kleine, Klonne & Co.
Lowman's Sons,
Wyler, Ackeland & Co.
Brown & Co.
Moch, Berman & Co.
B. & A. Haas,
Wolf, Stern & Co.

Louis Mollenkopf.
N. Drucker,
J. Sachs, B. and S. Co.
Meyer, Wise & Kaichen,
Bloom, Cohn & Co.
Louis Stix & Co.
Nathan Plaut & Co.
Seasongood, Stix, Krouse
& Company,
M & S Fechheimer & Co.
The H. & S. Pegue Co.
The G. W. McAlpin Co.
Abe Bloch & Co.

From the Commercial Tribune July 4, 1896.

CINCINNATI SOUTHERN.

One of Its Builders Values It at \$25,000,000.—R. G.
Huston is Decidedly Opposed to Accepting the
Present Offer for the Road.

Cincinnati, June 30, 1896.

To the Editor Commercial Tribune:

I accept your invitation for expression of views regarding the sale of the Cincinnati Southern Railway. Having examined carefully the terms of the proposal of Andrews and Taylor to the Sinking Fund Trustees of Cincinnati for the purchase of the Cincinnati Southern Railroad, I am decidedly of the opinion that it would be unwise to sell said railway under the terms of that proposition for \$19,000,000 of bonds, bearing four per cent per annum, running one hundred years, with an insufficient mortgage on the road, already mortgaged for security of the payment of said non-negotiable mortgage bonds when they become due after a credit of one hundred years.

When the road was finally completed in December of

1879 the city of Cincinnati had paid out in cash \$18,500,-000 for its construction, and since then \$300,000 for terminals, and the lessees expended in betterments \$2,522,000 and terminals \$128,000, making a total close approximate cost in actual cash of \$21,450,000, besides the interest on bonds during all these years over and above the rental. Our firm, R. G. Huston & Co., having completed the road from Somerset to Chattanooga, a distance of 176 miles, besides other large contracts on other portions of the road, I know the C. S. Ry is one of the best built railways in this country, and having been constructed under most favorable conditions, is one of the cheapest, considering the excellent character of the work performed.

Taking the reports of the progress of the work of the engineer as a criterion, it will be seen that the competition was very great, and contractors took the work of construction exceedingly low, on an average. Earth excavation 15 cents; embankment 17 cents; loose rock 45 cents; solid rock 78 cents; tunnel excavation \$2.85; stone ballast for track 85 cents per cubic yard. Common labor \$1.25; mechanics, stonecutters, masons, etc., \$3.50 per day, which are about the prevailing prices of the present day. Iron bridges and trestles were constructed and erected at a price very little over the present. Steel rails used on the line from Cincinnati to Somerset cost \$75 per ton; from Somerset to Chattanooga cost us at the mills in Pittsburg \$40 per ton.

THE ROAD'S PRESENT VALUE.

Considering the unusually heavy and excellent quality of the work of the C. S. Railway, the said railway as it now stands, in my opinion, cannot be duplicated or paralleled at the present time for less than 22,000,000. The structures are all permanent, of stone and iron; the tunnels, with the exception of one or two, are lined with brick and stone.

The roadbed is first-class, thoroughly ballasted, and laid with steel rails. The equipment is almost perfect for running of trains with rapidity and safety.

A short time since I traveled over the road by daylight, through 27 tunnels, aggregating nearly five miles, over high iron bridges and viaducts four and one-half miles, in nine (9) hours (being behind time), from Chattanooga, a distance of 336 miles, at an average speed of $37\frac{1}{2}$ miles an hour, and sometimes through tunnels and over those very high iron bridges and viaducts quite smoothly at the rate of fifty miles an hour, which, with close observations, prove to me that the C. S. Railway is in excellent physical condition, and ranks as one of the best single-track trunk railways of the present day.

In gross earning capacity it has more than come up to my expectations. When myself and associates, under the firm name of R. G. Huston & Co., proposed for the lease in the fall of 1881, I predicated our bid for the first half term of the lease (twelve and one-half years) on a gross annual earning of \$10,000 per mile. From reliable data I now find that the road has been earning for the lessees an average annual gross earning of about \$11,000 per mile, or \$3,696,000 for 336 miles, and expect, as expressed in their proposal, the gross earnings in the near future to exceed \$4,500,000 per annum, or \$13,100 per mile. In my opinion, if the Trustees of the railway have not carried out their contract according to the lease, in furnishing terminal facilities, they should allow the lessees what is right and just, but by all means they should insist on the lessees living up to their contract to the end.

PRESENT LEASE ALL RIGHT.

The present lease does not expire until October 11, 1906, and the renewed commercial activity that is sure to occur during these coming ten and a quarter years will enable the lessees to readily meet the rental of \$11,950,000, or an average approximate annual rental of \$1,167,000. But in case of failure the city is amply secured by the terms of the lease by a lien on the entire property and rolling stock of the lessee company. The lessee, or Southern Railway Company has one powerful competitor in the South, the L. & N. R. R. Co., who would be just as anxious

to secure our C. S. R. R. as it was in 1881, when it bid for the lease, and bid \$950,000 per annum for the last ten years, or from the present to 1906.

I am, for one, most decidedly in favor of holding on to the road, and not sell this magnificent property, which I think is really worth \$25,000,000, at this inopportune time for \$19,000,000 four per cent bonds not properly secured, and only \$2,000,000 cash on the board to secure the sale.

It seems to me preposterous to sell the C. S. Ry. on the basis of the said proposition of Andrews and Taylor, or those behind them. Better vote it down, and either reduce the present average annual rental from \$1,167,000 to \$1,000,000 for the next ten years, or till 1906, as a compromise, or, in case the present lessees throw up their lease of said railway, let the Trustees of the road, who have administered their trust faithfully and wisely, at once advertise extensively for an ample time for proposals to lease or sell, to be made as before, under a properly-drawn set of specifications. Very respectfully submitted,

R. G. HUSTON.

Cincinnati Enquirer, July 4th, 1896.

EFFECT

That would be had—On Taxation by the Sale of the Cincinnati Southern—Figured by the Freight Bureau.

At the last meeting of the Cincinnati Freight Bureau the question of the sale of the Cincinnati Southern Railroad was discussed. At that meeting one of the members asked what effect upon taxation the sale of the road would have. The answer was not given in entirety at the meeting and in consequence yesterday an open letter was formulated by the Executive Committee of the bureau and put in such a form as would enable it to be sent out and used as conclusive argument. This letter is as follows:

Dear Sir: At the meeting of the Freight Bureau sub-

scribers held on July 1, a question was asked as to the effect upon taxation which the sale of the road as contemplated might have.

The question was not at the time fully or definitely answered. Possibly from the following figures taken from last report of the Sinking Fund Trustees, you can draw your own conclusions.

Total debt of the city on account of the Cincinnati Southern Railway is stated to be. \$18,616,000

This is represented by bonds carrying different rates of interest amounting in the aggregate annually to..... 1,272,584

The present rental is annually..... \$1,000,000

Leaving to be provided for by taxation or otherwise annually..... \$ 272,584

To pay this deficit the duplicate for '95-96 carries an item of 1.475 mills.

In 1902, about six years hence, the maturing of \$10,000,000 7-30 bonds will enable the Trustees to refund that portion of the debt at not over 4 per cent, which will reduce the annual interest charge to \$1,272,000

Less..... 330,000

\$ 942,000

If the present lease should then be in effect the rent will be..... \$1,250,000

Which would enable the Sinking Fund Trustees to stop the 1.475 mill taxation and yield them an annual surplus of..... \$ 308,000

But if this offer is accepted the purchasers will then be paying annually only..... \$ 760,000

Which would compel the Trustess to raise by taxation for five years annually..... \$ 182,000

Under the present lease the rental for five years, from October 1, 1896, will be..... \$ 5,450,000

During five years next following.....	6,250,000
Total in ten years.....	\$11,700,000
This, as I have shown above, will enable the Sinking Fund after five years to discon- tinue taxation	\$ 272,000
And enjoy an annual surplus.....	308,000
Total annual saving.....	\$ 580,000
Total saving in five years.....	2,900,000
Total to credit of present lease.....	\$14,600,000
If the road is sold the purchasers will pay in five years, from October, 1, 1896.....	\$ 5,000,000
In the next five years, at \$760,000 per an- num	\$ 3,800,000
Total in ten years	\$ 8,800,000
During the last five years the city will have to raise by taxation annually	\$ 182,000
Or in five years... ..	\$ 910,000
Which, taken from amount received, will leave to the credit of the sale.....	\$7,890,000
Making loss to the city in ten years.....	\$6,710,000
Mr. Emery makes loss to the city on basis of income alone... ..	\$ 2,900,000
But you can see that by taking into consideration the effect which the sale would have on taxation the loss is more than twice as much.	

From the Cincinnati Enquirer, May 7, 1896.

NUMEROUS THE OPINIONS EXPRESSED.

Measures should be Adopted for Relief from unnecessary
Taxation for Interest Charges on the Southern Rail-
road Bonds.

The article in the Enquirer treating of the handling

of Cincinnati Railroad bonds by the Sinking Fund Trustees created no little comment on Change and on Third street. The consensus of opinion is that as the rental received from the Southern Road was so nearly sufficient to pay the interest charges on the Cincinnati Southern bonds the people should not be assessed over \$250,000 yearly in order to enable the Sinking Fund Trustees to make a good financial exhibit.

As to what the outcome will be if the matter is taken into the courts, opinions differed to a certain extent. All those talked with, however, didn't hesitate to say that an unnecessary tax should not be levied and collected from the people.

One gentleman said: "It is certainly not right to buy up Southern bonds with money furnished by the people, destroy the bonds and continue to collect from the people interest on those bonds, no matter what legal right there may be to do so. For the matter of that, even if the bonds had not been destroyed, but had been bought up with the people's money, they should be retired, and the burden of taxation on the people reduced. It looks to me very much like the case of a man giving a note for a sum of money, scraping around and raising the money with which to liquidate. When he gets the money he pays the note, but the holder says: "All right; you have paid the principal, but you must continue to pay the interest on the note although you have taken it up, as I want my interest account to show up large." I can't see how the city can take up its obligations and continue to collect interest on them from her citizens, or, in other words, from herself. Another thing, I understand that the \$1,585,500 bonds referred to in to-day's Enquirer as taken up by the Sinking Fund were replaced by other bonds than Southern Railroad bonds. The Southern Railroad bonds are held by the sinking fund and are stamped 'canceled,' according to law, and the people are paying the interest not only on the canceled bonds but also on the bonds which were put out in their stead or exchanged for them. This looks like double taxation with a vengeance."

Another gentleman said: "The Enquirer's statement

to-day regarding the Southern bonds is one that anyone can understand readily, and I don't see what is to hinder the Sinking Fund Commission from making as clear statements, instead of the complicated ones they as well as other boards present to the people. I'll venture to say the majority of the Sinking Fund Commission gained more knowledge about the business from the Enquirer's statement than they ever did from the annual report of the Trustees, of which body they are members. I know of at least one member of the Sinking Fund Trustees who never knew before that \$1,760,000 of bonds had been taken up and destroyed."

Everybody was surprised but gratified to learn that the city is in such good shape as to the Southern Railroad, and expressed surprise that the Sinking Fund Commission had not apprised the taxpayers of the fact.

One of the Trustees of the Southern Railway who was seen yesterday and asked for an opinion on the subject, said: "It would not be proper for me to talk just at the present time. I will say, however, that I have always claimed that the city had a good asset in the Southern Road. I admit I didn't know the difference between the rental received from the property and the legitimate annual interest on the bonded debt was but \$38,127, as so clearly shown in the Enquirer. I did know, however, from figuring I did myself that about \$131,000 more annual interest was being collected from the people than should be fairly. Yes, the city can certainly very easily within the next three years at the outside refund the outstanding 7 and 7.3 per cent bonds, due in 1902, into bonds bearing at the highest four per cent interest, which will effect a saving to the taxpayer of about \$250,000, which added to the \$90,000 increase in rental which commences next October will make \$340,000, and leave the city a net annual income from the road of \$300,000.

"The Enquirer certainly told the truth when it said the road would soon be in shape to earn its own sinking fund for retiring the bonds. The facts must be a powerful blow to those citizens who have been wanting to give the property away.

The Board of Sinking Fund Trustees met yesterday,

and, contrary to all expectations, failed to discuss the Southern Railroad matter. The Board was in session only about half an hour, and, after disposing of a batch of routine business that pertained chiefly to the redemption of bonds, &c., adjourned and filed out of the building.

Mr. Hinkle, who was seen after the meeting by an Enquirer representative, when asked what the Trustees had done, said: "Only routine business."

"Did'nt you take up the question of a sale of the Southern Road, or receive any bids for it?" he was asked.

"No. There is a lull in that business for the present."

President Woodford is going back to New York this week. He says he thinks the visit of himself and associates to this city, and their conference with the Sinking Fund Trustees, has done some good. He admits nothing definite has been accomplished, but he thinks progress has been made. He says a sale of the road, in his opinion, would be best for the road, for Cincinnati, and for himself and associates. He added that the question would be taken up by himself and associates in New York, and later on a definite offer will be made the Sinking Fund Trustees.

PRESIDENT INGALLS TALKS.

President Ingalls, of the Big Four and Chesapeake and Ohio, who has shown his well-known financiering qualities on more than one occasion, was seen yesterday and asked if he thought it was right for the Sinking Fund Commission to take up Cincinnati Southern Railroad bonds with money provided by the people, destroy the bonds, and continue to make the people pay the interest on them.

He said very decidedly that he thought it was not right to collect interest on any bonds after they had been taken up, either those that had been destroyed or those stamped canceled and held by the Sinking Fund. He added: "I do not think that a good many things done by the Sinking Fund Trustees are right. I think the policy pursued entirely wrong, although it is claimed that many of these acts are authorized by law."

"Mr. Ingalls, do you think the 7.3 and 7 per cent Southern Railroad bonds outstanding that fall due in 1902 could be refunded within the next three years into four per cents without costing much premium on the high rate bonds?"

"Yes, the bonds could be readily refunded, I think, but the city would be compelled to pay a premium, but not a large one. I think Cincinnati ought to be able to place bonds drawing less than four per cent interest. I think, in fact, the city could get money at three per cent."

"Didn't you refund some high-rate interest bonds for the Big Four before the Big Four-Bee Line consolidation?"

"Yes, I took up about \$9,000,000 seven and six per cent bonds, and replaced them with fours."

"How long did it take you to accomplish the refunding?"

"I think a little over a year."

"How many of the bonds drawing the lower rate of interest were issued to take the place of the high-rate bonds?"

"Ten million dollars."

"The trade was a profitable one, wasn't it, for the Big Four Company?"

"Yes, or it wouldn't have been made."

"Do you think the Southern Road should be sold?"

"As a citizen of Cincinnati, with the city's interest at heart, I do not. I favor a perpetual lease at a stated rental with a percentage of the earnings when they reach more than a certain amount to go to the city."

Cincinnati Enquirer, June 14, 1896.

OPINIONS ON THE SOUTHERN BID.

Hon. E. A. Ferguson on the Legal Status.—T. J. Emery
Would Not Consider the Proposition.

The position maintained by Hon. E. A. Ferguson in regard to the sale of the Cincinnati Southern is well known. When Mr. Ferguson was asked what he thought of the terms of the proposed sale he declared that to begin with he held as ever that a sale of the road was entirely impos-

sible unless certain legislation should be enacted looking to the formation of a company for the purchase of the road. Mr. Ferguson, however, when furnished with a copy of the proposition by a representative of the Enquirer read it all over very carefully.

"I am free to confess," said he, "that in a cursory reading I am unable to understand the document. Its terms, from a practical business point of view, need to be carefully studied and analyzed, and from first glance I would look upon it with disfavor. But I would not want to be placed in the position of being antagonistic to the sale if it can be brought about in a proper way and the people sanction it. It is not an objection to the sale of the road at all, so much as the opinion that it cannot now be sold. People say, of course that I am one of the Trustees and don't want the road sold out of the hands of the Board of Trustees. So I would rather not say that the proposition should be rejected, but I must say that I do not see how it can be accepted.

"I have very carefully examined the laws of Kentucky and have had them examined by others competent to do so and I am convinced that, like the laws of Ohio, there is nothing in them to provide for the purchase of the road by any company whatever. As for the business end of the proposition you should see some of the sound business men of the city who have the good judgment that will make their opinion of value. No one who would be more competent to judge of the advantages or disadvantages to the city in these terms of sale than Mr. Thomas J. Emery, and, besides, he has made a study of this very question of the sale of the road.

"As for the legal side of this proposition, it cannot be binding, in the first place for the reason that I have cited. It is a mere paper proposition and one, if ratified, would hold neither the individual making it nor the city. It is simply a case of some individuals promising to form a company for the purpose of acquiring the road, and these individuals cannot be held liable nor can they issue bonds, in fact, nor do such things as are of a necessity the offices of a corporation.

MR. EMERY

Calls Attention To the Drawbacks in the Bid.

Acting upon the suggestion of Mr. Ferguson, Mr. Thomas J. Emery was seen by the Enquirer and his attention called to the proposition that the Sinking Fund Trustees had favored. He read the terms critically, and seemed somewhat surprised at the action of the board. Mr. Emery said that the terms as set forth he would reject without any hesitation.

"It is simply foolish," said he. "There is only one thing that there is any uncertainty about or upon which I am not competent to pass judgment, and that is reference to the 10 per cent of the gross earnings above \$4,500,000. I would have to know positively what the present earnings are and what they have been, so as to be able to estimate future earnings. As for the rest of the proposition it means simply that the city shall, after October 1st of this year, give up the rental that it receives now and take in place thereof \$760,000 per annum, increased for six years by the payment of \$240,000, which makes a total of \$1,000,000, or a sum less than the amount which we will be receiving under the present lease after October 1st. After the expiration of these six years the city would be receiving only \$760,000 per year on a perpetual lease, plus the percentage on the gross earnings, which is an uncertain quantity

As for the clause providing for the payment of rentals on some leaseholds that is mere bagatelle. As far as indemnifying the city against all claims of the C. N. O. and T. P. Railroad, that refers to the suit for damages for not furnishing terminal facilities which has been settled in the city's favor already. As for betterments to the amount of \$250,000 per annum any owner of the road will expend this much for the road's betterment. When the proposition speaks of securing the payment of sums required by the deposit of bonds, you may be sure that these payments will be made without any security under such favorable terms as the proposed sale provides for. The transfer of this lease

to a corporation, made probably, under the laws of Kentucky, with no personal liability, is objectionable.

“Why should the city accept a much less sum according to this proposition than the present lessees have agreed to pay during the remainder of the lease, and then at the expiration of six years have the whole of these payments to suddenly decrease to \$760,000 per year? It is a proposition too ridiculous to be entertained. I have been informed by persons in a position to know that the road now earns over \$1,000,000 net, and that its gross earnings have regularly increased since the road was opened. Every business man should see that the proposition to sell the road perpetually for the paltry sum of \$760,000 per year, even with the per cent of gross earnings added, should not be entertained for a moment.

From the Commercial Gazette, June 13, 1896.

THE SOUTHERN, AND WHAT WILL THEY DO WITH IT?

Disposition to Keep Developments Dark, Which, Like Other Schemes, Goes Aglee—Outline of the Proposal Under Consideration, with Service of Notice.

So far as the railroad officials will admit, there are no new developments in the proposed purchase or lease of the Cincinnati Southern road. At the Cincinnati, Hamilton and Dayton general offices the information was given out yesterday that “there was nothing new.”

President Woodford and Henry A. Taylor, representing the C. H. & D., were busy the most of the day, and when seen neither would give any information on the subject.

The Sinking Fund Commissioners' Committee of the whole was equally reticent. The tenor of the treatment received by press representatives indicated a conviction on the part of those having the affairs of the Southern in hand that it was a private snap and not a public trust under con-

sideration, and that they fully subscribed to Vanderbilt's bluntly expressed sentiments.

That the people of Cincinnati, the owners of the road, are interested in the juggle that is going on behind closed doors is a matter of fact that the Commercial Gazette recognizes, the Sinking Fund Commissioners' committee and the railroad magnates to the contrary notwithstanding. It therefore follows that the outline of the proposal now under star chamber consideration is here given.

In effect the proposal is to issue \$19,000,000 four per cent bonds, and pay \$250,000 cash each year during the present lease, an equivalent to \$1,000,000 on the basis of the present lease. After a certain time to allow a stated per cent of the gross earnings. The amount of proposed cash payment is to be small.

The Commercial Gazette in this connection serves notice on the Commissioners of the Sinking Fund that no amount of cash less than \$2,000,000, at least no contract that would contemplate payment of less than \$2,000,000, will receive the indorsement of the people of Cincinnati. Nor will the people of Cincinnati sanction any sale that does not contemplate a substantial and adequate cash payment.

From the Commercial Tribune, June 28, 1896.

TWO MEN'S VIEWS — NEITHER APPROVES THE SALE OF THE SOUTHERN.

"A Poor Business Policy."—James J. Hooker Thinks No Cause For Stampede.—General Lewis Seasongood Was one of the Board Making the Present Lease, and Shows Losses by the New Venture.

When asked his opinion of the proposed sale of the Cincinnati Southern Road, Mr. James J. Hooker replied that, in his opinion, too little attention had been given to this matter by the taxpayers and business organizations,

and it was time that voters should receive information upon the subject, and he was glad to see the Commercial Tribune giving prominence to this question.

"The great argument for a sale now has been," said he, "that the road should pass into the hands of a company that would inaugurate improvements, build branches and otherwise develop the property, and that if not sold, and sold quickly, the operating company may default upon the rental, or the road might be paralleled. Of course it is to be expected that such arguments as these should be used by those interested in its sale."

"For one, I do not believe the operating company will default upon its rental. If it does, the road is a going concern, fully organized in every department, with ample rolling stock, which under clause 7 of the agreement would be forfeited to the city, and there need not and would not be any interruption to its business. The men for such occasions have always been, and will be found if the emergency arises. The taxpayers and citizens of Cincinnati should not permit themselves to be stampeded, but determine to face any contingency that may arise rather than make a bad sale to unsatisfactory parties or to a company not yet organized.

"Passing over the fact as to the absence of security to the city in the contemplated sale, other than the proposed expenditure for betterments, and that the city is asked to surrender \$600,000 in excess of this expenditure, we should not lose sight of the object for which the road was built, and that was to develop business between Cincinnati and the South. The question naturally arises, How can this be best brought about? In my opinion, by leasing or selling the road, under satisfactory guarantees, to one of the Southern systems containing a large mileage that can, in whole or in part, be made tributary to Cincinnati. The object can not be accomplished by disposing of the road to an independent company with termini in Cincinnati and Chattanooga. Neither can it be accomplished by disposal to a company having any entangling alliances north of the Ohio River.

"The newspaper headlines have succeeded in creating

the impression in the minds of the public that it is the C. H. & D. R. R. which is interested in the proposed purchase. This should be corrected. The C. H. & D. R. R. as a road is not interested in the proposed company, but the Eastern capitalists interested in the C. H. & D. undoubtedly see in this an opportunity to turn an honest penny by selling their interest eventually to the Southern Railway people, or, perhaps, to some Southern system antagonistic to the Southern Railway Company — the Louisville and Nashville, for instance.

“It goes without saying that when the time comes to make that trade, it will be worked in a way to produce the most profit. The Southern Railway already controls, jointly with the L. & N., the Georgia road running from Augusta to Atlanta. Railroad traffic men know in what interest the Georgia road is run, and how the Southern Railway management would enjoy another such deal. It is only necessary to hint at the possibilities of entanglements growing out of this joint ownership to convince all who are not actuated by any but a blind determination to sell the road that no deals should be made with the company whose proposition is now under consideration and to be passed upon by the voters of Cincinnati. The phenomenal growth of Chicago has been the result of the fact that all important lines of railroads terminate there; none run through Chicago.

“Had the Chicago, Burlington and Quincy its eastern terminus at Detroit, the Milwaukee and St. Paul its eastern terminus at Indianapolis, the Lake Shore and Michigan Southern its western terminus at Dubuque, the Pennsylvania its western terminus at St. Paul, Chicago would not have become the second city in the Union.

“But why accept the present proposition made by a nondescript company, when the Southern Railway had previously made substantially the following proposition, and no doubt would make it or a better one if the present one were rejected.

“Rental to remain at \$1,000,000 until expiration of present lease. After that, four per cent on the cost of the road (\$18,000,000) and 10 per cent of gross earnings in

excess of \$4,000,000, and a sum to the Sinking Fund of Cincinnati which in sixty years will pay off the Southern Railroad debt (\$18,000,000). The road then to become the property of the leasing company

"Beginning with the termination of the sixty year period, leasing company to pay ten per cent on gross earnings forever. One million dollars of Government or city bonds to be deposited for faithful performance of contract.

"It is an admitted fact that the Southern Railway Company want no alliance with the so-called C. H. & D. parties, but it has been forced upon them, largely as the result of legislation procured in Alabama in the winter of '94-95, by the aid, I am sorry to say, of the Cincinnati Chamber of Commerce, which lent its great influence for the private gain of the gentlemen who control the C. H. & D. Please understand that I have nothing against these gentlemen privately or in their management of the C. H. & D.; in either capacity they are entitled to our respect, but whatever profit they make out of the present deal must eventually be a loss to the City of Cincinnati.

"But my opposition to its sale to the proposed company is not for this reason, but because I think I see in it a great impediment to the growth of the business relations between Cincinnati and the South, and if our trade does not grow from that quarter we will go backward as a commercial and manufacturing city.

"It seems somewhat surprising that, considering the importance of the matter to the taxpayers and business men of Cincinnati, there has been no call for a meeting to discuss the proposed sale, and to take such action as may be deemed proper."

GENERAL SEASONGOOD OPPOSES.

When the Sinking Fund Trustees received from the C. H. & D. and the Southern Railway Company their bid for the purchase of the Cincinnati Southern, Gen. Lewis Seasingood was in New York. When he returned about a week ago he was asked for an opinion as to the offer made by these companies. He refused to give an answer, saying he had not had an opportunity to investigate.

Saturday morning he was again asked for an opinion as to the proposition.

"I don't like it," was the General's prompt response. "Since you asked me that question before, I have made a careful study of the terms offered, and am prepared to say that I do not think the city can afford to part with the road on any such a basis, and I'll tell you why.

"Our earnings under the present unexpired lease would average during the remaining eleven years nearly \$1,200,000 a year. That would be an income of four per cent on a total valuation of \$30,000,000, wouldn't it? It would be about $6\frac{1}{3}$ per cent on \$19,000,000, the proposed purchase price. Thus, you see, we are earning four per cent on \$30,000,000 under the present lease, whereas the new company proposes to guarantee only four per cent. on \$19,000,000 after the expiration of the present lease.

"We are parting with our property and having left no substantial security—in fact, no mortgage security whatever. We receive no earnest money on account to secure the unpaid purchase money promised, whereas under the present lease we have nearly \$5,000,000 of security in the rolling stock, shops, machinery and all kinds of real and personal property of the leasing company, besides the individual liability of its shareholders.

"Against that we are offered simply \$19,000,000 of 4 per cent bonds not secured by anything, because the city's obligations are already against the property.

"The city should receive at least \$3,000,000 or \$4,000,000 cash to bind the sale and avoid the road's being again thrown on its hands after the new company has obtained control by ownership. It is possible for the new company to form such entangling traffic alliances and contracts as to virtually make our \$19,000,000 worthless. I really believe the road worth \$30,000,000 to-day, and I am opposed to selling it for the price offered or on the terms proposed."

General Seasongood was a member of the Board of Trustees that contracted with the existing leasing company, and is familiar with the road and with the conditions of the operating company. His opinion is therefore of the greatest value.

From the Cincinnati Post, July 2, 1896.

GOOD THING

Is the Present Southern Railroad Contract to City and Lessees, Says Hon. E. A. Ferguson—No Danger of Default in Rental, He Claims.

Hon. Alexander Ferguson said concerning the legal aspect of the Southern Railroad case: "The Supreme Court is wrong in holding that we Trustees have power to sell the road. There is no law in Ohio, Kentucky or Tennessee authorizing a corporation to buy the Southern, and without the consent of those States no corporation can issue bonds or give mortgage security for that purpose. It is true our Supreme Court in the Moot case has decided Ohio can do so without procuring legislation in Kentucky and Tennessee. Years ago, when we proposed to change the gauge of five feet to conform to the standard Northern gauge, the Trustees obtained the opinion of learned counsel in those States, and we were advised we could make no change without legislative assent. That we obtained. If we could not make an improvement without such assistance, how can we sell the property without similar assistance? Kentucky and Tennessee general laws authorize building and maintaining of railroads, but have no provision for purchase of an existing road. All this has been decided by our own Supreme Court years ago. The income derived from the rentals is specifically pledged to the holders of the first issue of \$10,000,000 bonds, and without their consent we cannot agree to sell. The Trustees have a mortgage on everything, including even the coupling pins. There is no default of rental, and there will be none. The lessee has a good thing now, so has the city. The bondholders will appeal to the United States Court for protection before their security is submitted to a change.

From the Commercial Tribune, July 8, 1896.

OPINION ON THE SALE.

Mr. Powell Crosley Thinks There Should Be No Haste.

To the Editor of the Commercial Tribune:

I have been an interested reader of your articles, interviews upon the sale of the Southern Railroad.

I do not propose to go into the matter at any length, but I am opposed to the proposition of Messrs. Andrews and Taylor for the following reasons among others:

1. I do not now believe, and never have believed that the Southern Railroad was, is, or is likely to be, a property of which this city should be ashamed. I believe the time will come when the road will not only pay the bonds the city is obligated to pay for money put into the road, but the running expenses of the city economically administered as well.

2. This is no time to sell the road. Everything is depressed. People able to hold property do not force it upon the market at such times. The city is able to hold and not to dispose of it to the first comer, and at their own figure.

3. I am not afraid that the United States Court will allow the rental to go in default. That is not the way Judge Taft allows its court to do business. But if there should be default, I have an abiding faith that it would not be difficult to get others to step in the shoes of the leasing company.

4. Times are going to improve. It is in the air. Long before the present lease expires the city will be able, in my judgment, to make a perpetual lease of the road at \$1,250,000 per year, or more, and this is what it should do.

5. Think of the folly of selling (not leasing) to the same parties who now have the road, at a loss of millions of dollars to the city, for fear that these same parties may default upon their present contract. The above-named parties now control the road, subject to the receivership. It looks like discharging one's servant and hiring him over again at better wages.

6. I am opposed to a sale. I favor a perpetual lease. But if a sale is made, let it be made when times are better and for cash, so that we know we will get it, and let us get enough to enable us to go into the market and buy up the Southern Railroad bonds at their market price, and thus relieve the city of that great burden. Upon the plan now submitted to the voters of the city the city would have to carry these bonds forever, so far as the income of the road was concerned.

7. It is proposed to cancel a good contract, in which the city retains the title to the road, for a much poorer one as to income in which the city parts with the title. No business man in his own affairs would think of doing such a thing.

8. The city is to deed the property away and take a mortgage for the full consideration (\$19,000,000) without a dollar paid down, and practically without additional security to the property itself. People in their ordinary transactions do not do business in this way. People require a fourth, a third, and maybe a half, paid in cash in ordinary transactions as an evidence of good faith, but here nothing is required, practically.

9. What is to prevent a railroad wrecker from getting hold of this work and plying his trade? Where would the city be? How soon after a receiver was appointed to take charge of the wrecked road—designedly wrecked—would the croaker be heard declaring that things were in a bad shape, and insisting on taking what we could get or the road would be sold out and the city be compelled to take what it could get without being able to be a competitor in bidding it in at the sale, or if an enabling act were passed permitting it to buy, in what position would it be with a wrecked road on its hands?

The people should look into this matter carefully. There should be no haste.

Very truly,
POWELL CROSLEY.

From the Volksblatt, Sunday, June 21, 1896.

THE SOUTHERN ROAD.

Opinions of Citizens in Regard to the Proposed Sale—The Present Time Is Considered the Most Unfavorable.

Whether the proposed sale of the Southern Road will be submitted to a vote of the people depends entirely upon the decision of the Supreme Court of the State. This is expected before the beginning of the summer vacation of the Court. The German citizens and taxpayers in general are not in favor of the sale because the present especially is the most unfavorable time to sell anything. Thus, Mr. Henry Muelhauser expressed himself, and to him the terms also seem too unfavorable. "The purchaser should pay in cash, without any conditions, at least one-fourth of the purchase price," declared he, "and as the offer is nothing like this, we ought to keep the road for some time yet, rather than let it go on such terms. The citizens will have to be watchful, however, that unscrupulous politicians do not devise a plan to sell the road in such a way that the citizens will not receive a cent; in other words, that the road is not stolen from us."

Mr. F. H. Alms: "I am decidedly opposed to the sale of the road under the present offer. It is worth more, and the city should, at least, get five millions more for it. In general, the entire way in which the sale was undertaken don't suit me, because it is too one-sided and offers the city no advantage of any sort."

Mr. Christian Boss expressed himself as follows in regard to the projected sale: "In view of the present condition of business, a sale of the Southern Road should not be thought of. The prices of all merchandise everywhere are below value at this time, and if the road must be sold at all, then before everything else we ought to wait at least until the business of the country has again picked up. Anyhow, I can't see what advantage the city can derive from the offer that has been made. If the road is only to be leased and the purchase is not to take place for a

hundred years, then there is certainly no particular hurry in the matter, and we can quietly wait until times get better. Under the present circumstances and the present condition of business, I am decidedly opposed to the sale."

Mr. Marcus Rasche is likewise not satisfied with the bid. "I am," said he, "in favor of a cash sale of the road. The city should never have meddled with the building and business of the same. A private company can do all of this much cheaper. Therefore, I think it best to get rid of the road for cash. But I do not regard it as wise to lease the road for a hundred years. According to my opinion, the bid should not be considered at all."

Mr. Anthony Rasche expressed himself in the same way, adding that the present was the best time to buy, but the worst to sell. Mr. Rasche was likewise not satisfied with the bid.

Mr. Charles F. Muth is also an advocate of the project. He declared that he could not favor the bid, which he by no means regarded as advantageous to the city. A direct sale of the road for cash or upon installment payments within a reasonable time is preferable, in his opinion, to a mere lease of the same under the given terms.

"Why should the sale of the Southern Road be so urgent, all of a sudden?" asked Mr. Louis Huedepohl. "According to my opinion, the sale of the road at the present time is not advantageous to the city. Nowhere are acceptable prices to be obtained. Nowhere is the full value being paid for property. That, in spite of this, it is so eagerly desired to get rid of the road appears to me very singular, to say the least. I am most positively opposed to the sale; and will vote against it."

"I am surprised that a bid has even been offered already," said Mr. H. A. Langhorst. "The road is paying very well at present, and why should we want to undertake a change and sell the road, all of a sudden? Besides, the present is not a suitable time for this. I think we ought also to have regard for the future."

Mr. Julius Pfleger also expressed himself as decidedly opposed to the sale of the Southern Road, which he regarded as not at all in the interests of the citizens of our

city. Above all things, a perpetual lease should not be given, because we do not know what may happen in the future. To sell large property, we should wait for a more favorable time, when values are no longer depressed.

Mr. Ed. Kleinschmidt likewise did not favor the sale of the road, but, on the contrary, advised positively against it.

The opinion of Mr. F. J. Diem is that the road should be sold if an acceptable price can be obtained for it; but he did not regard the present offer as advantageous to the city.

Mr. J. J. Abbihl also expressed himself as opposed to a ninety-nine-year lease. "The road should be sold," said he, "if it is possible to receive an approximate value of the same in cash, in order that the outstanding bonds might be redeemed with the money. As far as I know, the road is paying very well at present, and there is, therefore, no urgent necessity to bring about a sale. Nor do I believe that a perpetual lease would be of advantage to the city."

Mr. F. Jelke spoke in favor of continuing the existing relations in regard to the road. It is by no means in the interest of the city to sell the road under the present depressed condition of business. The times will certainly become better again, and when this has occurred and as a result better prices can be obtained, then it will still be early enough to think of a sale. At present this is not advisable, nor commendable under any circumstances.

"I hardly believe that the offer in regard to the sale of the Southern Road is an advantageous one," said Mr. Theodore Mayer, "and it also appears to me that the price which was bid does not by far come up to the value of the road. We should, therefore, not act without considering the matter well, and should not conclude the sale in haste. I am convinced that later a better price can be obtained."

Mr. W. C. Overbeck is also of the opinion that a much better price can be secured later when times have improved. For this reason he is opposed to the sale in view of the present condition of the times and the low value of all property.

"It is simply ridiculous to think of the sale under the present condition of the times," said Mr. J. P. Altenberg.

“A better price ought to be secured for this valuable road. The times are certainly not favorable, when all values are depressed, to make the sale of the road appear advisable.”

From the Volksblatt, Wednesday, June 24, 1896.

The Supreme Court has decided that the city has a right to sell the Southern Railroad. With the citizens now rests the decision as to whether this right will be exercised. In our last Sunday number we published the views that predominate among the citizens in regard to it, and these are mostly opposed to the sale of the road most decidedly. Most citizens can not perceive how the condition of the city will be improved if it gives up the possession of the road and accepts bonds for it. According to their opinion, the possession of the road is to be preferred to bonds for debt on it. To them, too, the present time when everything is depressed, appears to be unfavorable for the sale. The chief argument of those in favor of the sale is that the city should not own a railroad on general principles; that it would not be worse off through the sale than at present; and that if the road passes into private hands it will be of greater usefulness to the city than heretofore. The new owners will improve the road and would look to the building of branch roads and thereby open up greater territory to the commercial interests of the city. As far as we are concerned, we stand altogether on the side of the opposition to the sale. The argument that we can secure better terms later appears evident to us.

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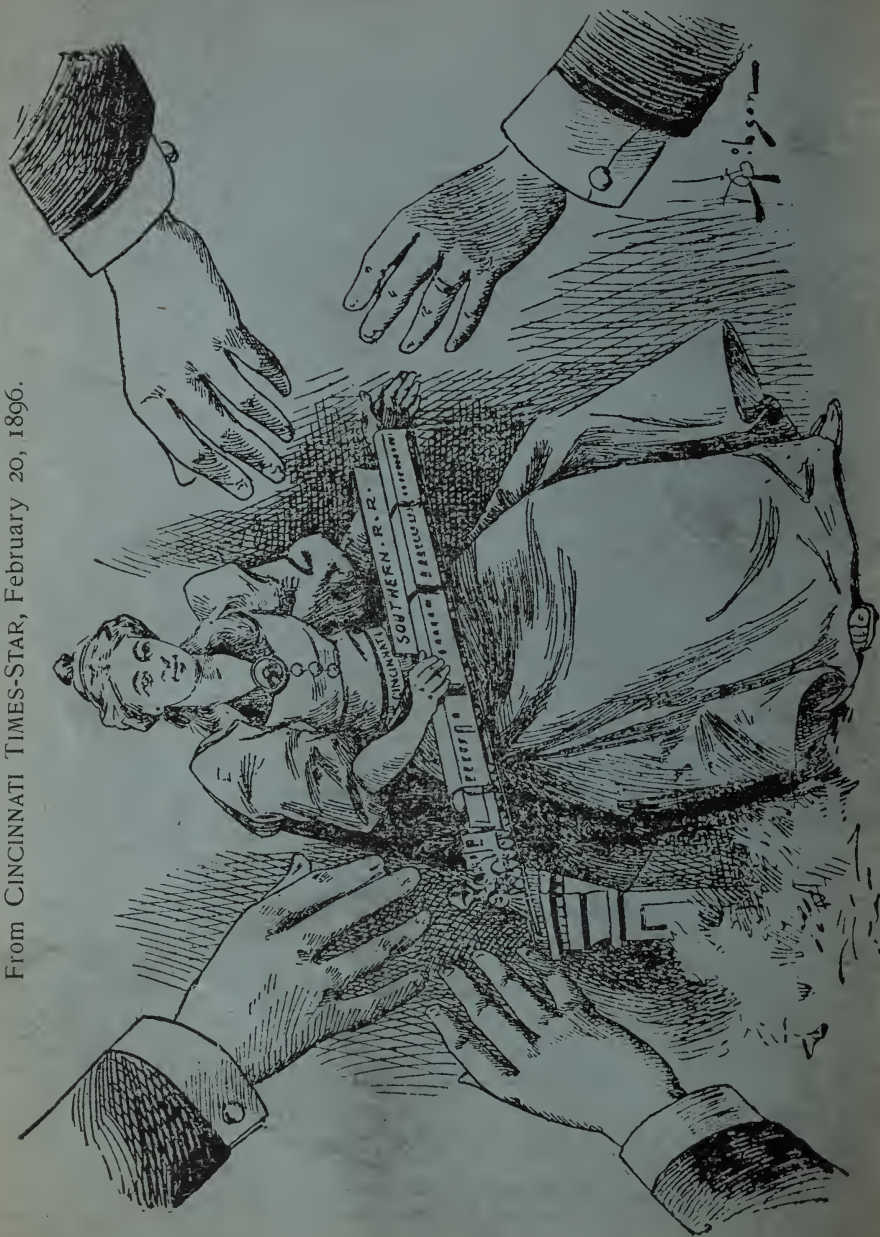
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